spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement
For the Financial Year Ended 31 December 2015

Spackman Entertainment Group Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 22 July 2014. The initial public offering of the Company (the "**IPO**") was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**" or "**PPCF**").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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Background

Spackman Entertainment Group Limited (the "**Company**") was incorporated in the Republic of Singapore on 10 January 2014 under the Companies Act (Chapter 50) of Singapore as a private limited company. The Company and its subsidiaries (the "**Group**") were formed pursuant to a restructuring exercise (the "**Restructuring Exercise**") prior to the IPO and listing on the Catalist of the SGX-ST on 22 July 2014. The Restructuring Exercise was completed on 19 June 2014. Please refer to the Company's Offer Document dated 11 July 2014 for further details on the Restructuring Exercise.

For the purpose of this announcement, the financial results of the Group for the financial year ended 31 December 2015 ("**FY2015**"), and the comparative financial results of the Group for the financial year ended 31 December 2014 ("**FY2014**"), have been prepared on the assumption that the Group's structure following the completion of the Restructuring Exercise had been in place since 1 January 2014.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group Twelve Months Ended		
	31 December 2015 (Unaudited) US$'000	31 December 2014 (Audited) US$'000	Change %
Continuing operations			
Revenue	13,569	16,059	(16)
Cost of sales	(9,926)	(15,552)	(36)
Gross profit	3,643	507	619
Other income	2,430	506	380
Selling expenses	(393)	(670)	(41)
General and administrative expenses	(6,257)	(7,756)	(19)
Finance costs	(76)	(105)	(28)
Share of results of associate	(467)	-	NM
Loss before tax	(1,120)	(7,518)	(85)
Tax expense	392	562	(30)
Loss from continuing operations	(1,512)	(8,080)	(81)
Discontinued operation			
Profit from discontinued operation (net of tax)	239	-	NM
Loss for the year	(1,273)	(8,080)	(84)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Share of foreign currency translation difference of associates	(147)	-	NM
Currency translation difference arising from consolidation	(639)	(259)	147
Total comprehensive loss for the year	(2,059)	(8,339)	(75)
Loss for the year attributable to:			
Equity holders of the Company	(1,114)	(7,980)	(86)
Non-controlling interests	(159)	(100)	59
	(1,273)	(8,080)	(84)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company	(1,667)	(8,238)	(80)
Non-controlling interests	(392)	(101)	289
	(2,059)	(8,339)	(75)

NM – Not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Loss from continuing operations for the year was stated after charging/(crediting) the followings:

	Twelve Months Ended		
	31 December 2015 (Unaudited) US$'000	31 December 2014 (Audited) US$'000	Change %
Personnel expenses	3,192	2,239	43
Service fees	927	515	80
Audit fee	175	121	45
Rental expense	746	638	17
Impairment loss on film production inventories	624	1,455	(57)
Impairment loss on investments	18	-	NM
Depreciation of property, plant and equipment	112	89	26
Amortisation of intangible assets	7	7	-
Travelling expenses	100	274	(64)
Allowance for doubtful receivables	13	643	(98)
Foreign exchange loss, net	206	447	(54)
IPO expenses	-	1,332	NM
Reversal of allowance of doubtful receivables	(44)	(1)	NM
Interest income	(126)	(221)	43
Bargain purchase of associate	(1,714)	-	NM

NM – Not meaningful

Profit from discontinued operation for the year was stated after charging/(crediting) the followings:

	Twelve Months Ended (*)
	31 December 2015 (Unaudited) US$'000
Personnel expenses	382
Service fees	196
Audit fee	16
Rental expense	41
Depreciation of property, plant and equipment	20
Travelling expenses	5
Allowance for doubtful receivables	315
Foreign exchange loss, net	3
Interest income	(35)
Rental income	(1)

(*) Discontinued operation refers to the talent management business of UAA Korea Co., Ltd. ("**UAA**"). There are no comparative figures as UAA became the subsidiary of the Group as at 31 December 2014.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31 December 2015 (Unaudited) US$'000	31 December 2014 (Audited) US$'000	31 December 2015 (Unaudited) US$'000	31 December 2014 (Audited) US$'000
Assets				
Investment in subsidiary	-	-	16,245	14,635
Investment in associate	3,577	-	2,477	-
Property, plant and equipment	3,337	903	14	1
Intangible assets	841	3,518	-	-
Film production inventories	1,762	1,683	-	-
Deferred tax assets	-	336	-	-
Long term financial instruments	60	-	-	-
Loan to a subsidiary	-	-	-	1,900
Non-current assets	9,577	6,440	18,736	16,536
Investments	6,887	3,490	-	244
Trade and other receivables	21,145	8,497	1,892	1,241
Film production inventories	6,672	1,428	-	-
Inventories	3	8	-	-
Cash and cash equivalents	4,114	12,176	824	4,472
Disposal group assets classified as held for sale	8,987	-	-	-
Current assets	47,808	25,599	2,716	5,957
Total assets	57,385	32,039	21,452	22,493
Liabilities				
Borrowings	1,962	-	-	-
Other non-current liabilities	39	2	-	-
Deferred tax liabilities	306	115	-	-
Non-current liabilities	2,307	117	-	-
Trade and other payables	15,073	6,285	163	250
Deferred revenue	3,833	2,875	-	-
Borrowings	3,790	1,237	-	-
Film obligation and production loans	10,226	4,100	-	-
Liabilities directly associated with disposal group classified as held for sale	5,421	-	-	
Current liabilities	38,343	14,497	163	250
Total liabilities	40,650	14,614	163	250
Net assets	16,735	17,425	21,289	22,243
Share capital and reserves				
Share capital	25,019	24,428	25,019	24,428
Other reserves	(3,268)	(2,715)	-	-
Accumulated losses	(6,647)	(5,533)	(3,730)	(2,185)
Equity attributable to equity holders of the Company, total	15,104	16,180	21,289	22,243
Non-controlling interests	1,631	1,245	-	-
Total equity	16,735	17,425	21,289	22,243

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 December 2015 (Unaudited)		As at 31 December 2014 (Audited)	
Secured US$'000	Unsecured US$'000	Secured US$'000	Unsecured US$'000
1,135	2,655	1,237	-

Amount repayable after one year

As at 31 December 2015 (Unaudited)		As at 31 December 2014 (Audited)	
Secured US$'000	Unsecured US$'000	Secured US$'000	Unsecured US$'000
1,962	-	-	-

Details of any collateral

The Group's secured portion of short-term borrowings is secured by either the Korea Technology Credit Guarantee Fund or guaranteed by the chief executive officer of Opus Pictures Limited Liability Company and all long-term borrowings is secured over land and a building with carrying amounts of US$3,031,689.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	Group	
	12 Months ended	
	31 December 2015 (Unaudited) US$´000	31 December 2014 (Audited) US$´000
Operating activities		
Loss before income tax from continuing operations	(1,120)	(7,518)
Loss before income tax from discontinued operation	436	-
Loss before income tax	(684)	(7,518)
Adjustments for:		
Depreciation of property, plant and equipment	138	89
Interest income	(163)	(222)
Interest expense	76	105
Impairment loss on film production inventories	624	1,455
Bargain purchase of associate	(1,713)	-
Share of results of associate	467	-
Amortisation of intangible assets	7	7
Fair value loss/(gain) on investment in insurance products	(4)	3
Impairment loss on Investments	18	-
Fair value gain on investment in mutual funds	-	(6)
Allowance for doubtful receivables	328	-
Reversal of allowance for doubtful receivables	(44)	(1)
Loss on disposal of property, plant and equipment	18	43
Written-off acquired library	-	61
Operating loss before working capital changes	(932)	(5,984)
Working capital changes		
Investment in theatrical film projects, net	(39)	(574)
Inventories	4	(6)
Film production inventories	(6,200)	3,379
Receivables	(19,548)	(2,831)
Payables	17,029	894
Film obligations and production loans	5,042	(4,257)
Currency translation adjustments	127	222
Cash used in operations	(4,517)	(9,158)
Interest paid	(124)	(70)
Interest received	144	222
Income tax paid	(81)	(1,234)
Net cash used in operating activities	(4,578)	(10,241)
Investing activities		
Proceeds from disposal of property, plant and equipment	-	21
Purchases of property, plant and equipment	(2,805)	(306)

Purchases of intangible assets	(6)	(1)
Acquisition of subsidiaries	(499)	(390)
Acquisition of associate	(1,000)	-
Incorporation of a subsidiary	-	60
Investment in insurance products	(42)	(56)
Investment in investments	(3,281)	(2)
Disposal of investments	990	-
Increase in long-term financial instruments	(60)	-
Payment of short term loans	(640)	-
Proceeds from repayment of short term loans	1,254	-
Net cash used in investing activities	(6,089)	(674)
Financing activities		
Repayment of borrowings	(430)	(1,263)
Proceeds from borrowings	5,193	1,291
Issuance of shares, net	-	14,136
Net cash from financing activities	4,763	14,164
Net change in cash and cash equivalents	(5,904)	3,249
Cash and cash equivalents at beginning of financial year	12,176	9,214
Effect of exchange rate changes	(323)	(287)
Cash and cash equivalents in assets held for sale	(1,835)	-
Cash and cash equivalents at end of the financial year	4,114	12,176
Cash and cash equivalents comprise:		
Cash and bank balances	3,042	11,219
Money market funds	1,072	957
	4,114	12,176

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Changes in Equity

	← Attributable to equity holders of the Company →					
Group (unaudited)	**Share capital**	**Other reserve**	**(Accumulated losses)/retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2015	24,428	(2,715)	(5,533)	16,180	1,245	17,425
Loss for the year	-	-	(1,114)	(1,114)	(159)	(1,273)
Other comprehensive profit for the year						
Share of foreign currency translation difference of associate	-	(147)	-	(147)	-	(147)
Currency translation difference on consolidation	-	(406)	-	(406)	(233)	(639)
	-	(553)	(1,114)	(1,667)	(392)	(2,059)
Transaction with equity holders of the Company						
Issue of ordinary shares related to the acquisition of subsidiary	591	-	-	591	-	591
Change in ownership interests in subsidiary						
Acquisition of subsidiary with non-controlling interests	-	-	-	-	778	778
Balance as at 31 December 2015	25,019	(3,268)	(6,647)	15,104	1,631	16,735
Group (Audited)						
Balance as at 1 January 2014	2	6,498	2,448	8,948	44	8,992
Loss for the year	-	-	(7,980)	(7,980)	(100)	(8,080)
Other comprehensive profit for the year						
Currency translation difference on consolidation	-	(258)	-	(258)	(1)	(259)
	-	(258)	(7,980)	(8,238)	(101)	(8,339)
Transaction with equity holders of the Company						
Transition to no-par-value regime in Hong Kong	6,658	(6,658)	-	-	-	-
Issuance of ordinary shares due to restructuring exercise	7,884	(2,297)	(1)	5,586	1,302	6,888
Issuance of ordinary shares due to initial public offering	9,884	-	-	9,884	-	9,884
Balance as at 31 December 2014	24,428	(2,715)	(5,533)	16,180	1,245	17,425

Statement of Changes in Equity

Company (unaudited)	Share capital	Accumulated losses	Total
	US$'000	US$'000	US$'000
Balance as at 1 January 2015	24,428	(2,185)	22,243
Issue of ordinary shares related to the acquisition of subsidiary	591	-	591
Loss for the year	-	(1,545)	(1,545)
Balance as at 31 December 2015	25,019	(3,730)	21,289

Company (Audited)	Share capital	Accumulated losses	Total
Balance as at 10 January 2014			
Issuance of ordinary shares due to restructuring exercise	14,544	-	14,544
Issue of ordinary shares due to initial public offering	9,884	-	9,884
Loss for the year	-	(2,185)	(2,185)
Balance as at 31 December 2014	24,428	(2,185)	22,243

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

<u>Shares Capital – Ordinary Shares</u>

	Number of shares	Issued and paid-up share capital
Balance as at 1 October 2015 and 31 December 2015	398,770,209	US$25,019,233

The Company did not have any outstanding options, convertibles or treasury shares as at 31 December 2015 and 31 December 2014.

(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	As at 31 December 2015	As at 31 December 2014
Total number of issued shares	398,770,209	395,310,000

The Company did not have any treasury shares as at 31 December 2015 and 31 December 2014.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those used in the most recently audited annual financial statements for the financial year ended 31 December 2014 ("**FY2014**").

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group has applied the same accounting policies and methods of computation in the preparation of financial statements for the current financial year compared with the audited financial statements for FY2014, except for the adoption of the Financial Reporting Standards ("**FRS**") and Interpretations of Financial Reporting Standards ("**INT FRS**") that are mandatory for the accounting periods beginning on or after 1 January 2015. The adoption of these new and revised FRS and INT FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial year.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group	
	Twelve Months Ended	
Loss per share ("LPS")	**31 December 2015**	**31 December 2014**
Loss attributable to shareholders of the Company (US$)	1,113,702	7,980,783
Weighted average number of ordinary shares in issue	398,694,369	395,310,000(1)
Basic and fully diluted basis LPS (US cents) (1)(2)	0.28	2.02
Adjusted LPS (US cents) (3)	0.28	2.00

Notes:

(1) Assuming that the Company's IPO had taken place on 10 January 2014 (i.e. the Company's date of incorporation).

(2) The basic and fully diluted basic LPS of the Group for the respective periods was calculated based on the weighted average number of ordinary shares in issue for the respective periods.

(3) For comparative purposes, the adjusted LPS of the Group for the respective periods was calculated based on 398,770,209 ordinary shares in issue as at 31 December 2015.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the**
(a) Current financial period reported on; and
(b) Immediately preceding financial year

	Group		Company	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
Net asset value (US$)	16,735,317	17,424,117	21,289,299	22,242,715
Number of ordinary shares in issue	398,770,209	395,310,000	398,770,209	395,310,000
Net asset value per ordinary share (US$)	0.042	0.044	0.053	0.056

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss :-**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Consolidated Statement of Comprehensive Income

FY2015 vs FY2014

Continuing operations

Revenue

The breakdown of revenue in FY2015 and FY2014 is as follows:

	Group		
	FY2015	**FY2014**	**Change**
	(Unaudited)	**(Audited)**	**%**
Source of revenue	**US$ million**	**US$ million**	
Production of films	6.19	12.13	(49)
Distribution of films and others (*)	5.92	2.57	130
Production of documentaries	0.96	1.02	(6)
Restaurant sales and café lounge business	0.34	0.13	162
Photography	0.16	0.02	700
Consultancy services	-	0.14	NM
Rental income	-	0.05	NM
Total	**13.57**	**16.06**	**(16)**

NM – Not meaningful

(*) Revenue from distribution of films and others is recognised upon the settlement of the proceeds (i.e., payments of taxes on tickets, other charges and fees, and deductions by movie theatres and theatre circuits of their respective share of the box office sales) from the box office and the ancillary market.

Revenue decreased by approximately US$2.49 million or 15.50% year-on-year ("**YoY**") from US$16.06 million in FY2014 to US$13.57 million in FY2015. The decrease was mainly due to the decrease in number of theatrical films released during FY2015. In FY2015, the Group released one film, *The PRIESTS* (produced by Zip Cinema and presented by OPUS Pictures, both of which are indirect wholly-owned subsidiaries of the Company) as compared to four films, *FOR THE EMPEROR (*produced and presented by Opus Pictures), *CONFESSION* (produced by Opus Pictures and presented by a third party, United Pictures), *MY BRILLIANT LIFE* (produced by Zip Cinema and presented by a third party, CJ E&M) and *BIG MATCH* (presented by Opus Pictures and produced by a third party, BK Pictures) released in FY2014.

In FY2015, the Group produced and presented *THE PRIESTS*. *THE PRIESTS* was released on 5 November 2015 and it sold 5.44 million tickets, grossing KRW42.41 billion at the Korean box office. This film generated production revenue of US$6.19 million, revenue from share of profit for acting as the producer of US$3.21 million (which mainly attributed to the YoY increase in revenue from the distribution of films and others), and revenue from film presentation and investments of US$1.16 million. The Group also distributed several motion films including *BIG MATCH*, *MY BRILLIANT LIFE, CONFESSION*, *FOR THE EMPEROR* and others, which generated revenue of US$1.55 million. In addition, a total of US$1.46 million in revenue was generated from the production of documentaries (US$0.96 million), restaurant sales from our café lounge business (US$0.34 million), and professional photography services (US$0.16 million). There was an absence of revenue from consultancy services and an absence of rental income in FY2015 as such revenue in FY2014 was mainly generated from provision of services and the lease of office space to UAA, which became a subsidiary of the Group on 31 December 2014.

In FY2014, the Group generated film production revenue of US$2.75 million, US$4.38 million and US$5.00 million from *FOR THE EMPEROR*, *CONFESSION and MY BRILLIANT* respectively. The Group generated revenue from film presentation and investments from *BIG MATCH* of US$0.8 million and generated distribution revenue of US$1.77 million from distribution of several motion films including *NOW IS GOOD*, *MONSTER* and *COLD EYES*. In addition, a total of US$1.36 million in revenue was generated from the production of documentaries (US$1.02 million), consultancy services (US$0.14 million), café lounge business (US$0.13 million), rental (US$0.05 million) and photography service (US$0.02 million), respectively.

Cost of sales

The breakdown of cost of sales in FY2015 and FY2014 is as follows:

	Group		
	FY2015	**FY2014**	**Change**
	(Unaudited)	**(Audited)**	**%**
Cost of sales	**US$ million**	**US$ million**	
Production of films	5.01	11.49	(56)
Distribution of films and others (*)	3.74	2.90	29
Production of documentaries	1.06	1.12	(5)
Restaurant sales and café lounge business	0.12	0.04	200
Total	**9.93**	**15.55**	**(36)**

(*) Cost of sales from distribution of films and others is recognised upon the settlement of the proceeds (i.e., payments of taxes on tickets, other charges and fees, and deductions by movie theatres and theatre circuits of their respective share of the box office sales) from the box office and the ancillary market.

Cost of sales decreased by US$5.63 million or 36.18% YoY from US$15.55 million in FY2014 to US$9.93 million in FY2015, mainly because of the same reasons which resulted in the decrease in the Group's revenue, further explanation of which had been provided in the FY2015 versus FY2014 commentary on the Group's revenue.

In FY2015, *THE PRIEST* incurred cost of sales of US$5.80 million, of which US$5.01 million was attributable to the production of films and US$0.79 million was attributable to the distribution of films and others. Cost of sales of US$2.95 million was attributable to the distribution of several films including *BIG MATCH*, *MY BRILLIANT LIFE, CONFESSION* and *FOR THE EMPEROR*. In addition, cost of sales of US$1.06 million and US$0.12 million were incurred from production of documentaries and the restaurant sales and café lounge business, respectively.

In FY2014, cost of sales of US$11.49 million was incurred from the production of *FOR THE EMPEROR* (US$2.71 million), *CONFESSION* (US$4.22 million) *and MY BRILLIANT LIFE* (US$4.56 million). Cost of sales of US$2.90 million was incurred from the distribution of *BIG MATCH* and several motion films including *NOW IS GOOD*, *MONSTER* and *COLD EYES.* In addition, cost of sales of US$1.12 million and US$0.05 million of cost of sales were incurred from the production of documentaries and the restaurant sales and café lounge business, respectively.

Gross profit margin

The Group recorded a gross profit margin of 26.85% in FY2015 as compared to a gross profit margin of 3.16% in FY2014, mainly due to the performance of *THE PRIESTS.*

Other income

Other income totaled US$2.43 million in FY2015 as compared to US$0.51 million in FY2014. Other income in FY2015 comprised interest income of US$0.13 million (FY2014: US$0.22 million), rental income of US$0.01 million (FY2014: US$0.05 million), foreign exchange gain of US$0.02 million (FY2014: nil), and miscellaneous income of US$0.56 million (FY2014: US$0.24 million). Furthermore, there was bargain purchase of associate of US$1.71 million in FY2015, a result of the excess of the Group's share of net fair value assets of Spackman Media Group Pte. Ltd. ("**SMGPL**"), a newly acquired associate in FY2015, over the cost of investments on the acquisition date, whereas there was no such gain in FY2014.

Selling expenses

Selling expenses decreased by US$0.28 million or 41.79% YoY from US$0.67 million in FY2014 to US$0.39 million in FY2015. The decrease was mainly due to the decrease in the number of films released in FY2015 where one film, *THE PRIESTS*, was released as compared to four films namely, *FOR THE EMPEROR, CONFESSION, MY BRILLIANT LIFE and BIG MATCH* released in FY2014.

General and administrative expenses

General and administrative expenses decreased by US$1.50 million or 19.33% YoY from US$7.76 million in FY2014 to US$6.26 million in FY2015. The decrease was mainly due to the following:

i) the absence of IPO expenses in FY2015 (FY2014: S$1.33 million);

ii) a decrease in impairment loss on film production inventories from several films under the development stage by US$0.84 million from US$1.46 million in FY2014 to US$0.62 million in FY2015 as there were fewer films under development to be impaired in FY2015; and

iii) a decrease in allowance for doubtful receivables by US$0.63 million from US$0.64 million in FY2014 to US$0.01 million in FY2015. The bad debt expenses in FY2014 was mainly due to receivables related to *CONFESSION*.

The abovementioned decreases were partially offset by the following:

i) an increase in personnel expenses by US$0.96 million from US$2.24 million in FY2014 to US$3.19 million in FY2015 mainly due to an increase in the number of employees after the acquisition of Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**"), the acquisition of which was completed in January 2015; and

ii) an increase in service fees and audit fees of US$0.41 million and US$0.05 million respectively mainly due to the increase in professional fees as the Group transitioned to a public listed company.

Share of results of associate

The share of results of associate of a loss of US$0.47 million in FY2015 (FY2014: nil) was attributable to the loss from the Company's 45.8% owned associated company, SMGPL. SMGPL was incorporated in April 2015 and its losses in FY2015 were mainly due to the respective losses of US$0.17 million from SMGPL, and US$0.27 million and US$0.03 million from its variety show production business through its 99% owned subsidiary, Delmedia Co., Ltd., and TV/media commercials and music video production business through its 51.03% owned subsidiary, Breakfastfilm Co., Ltd.

Finance costs

There was no significant change in finance costs, which was US$0.08 and US$0.10 in FY2015 and FY2014 respectively.

Loss before tax

As a result of the above, the Group recorded a loss before tax of US$1.12 million in FY2015 as compared to a loss before tax of US$7.52 million in FY2014.

Discontinued operation

On 30 December 2015, Spackman Entertainment Group (HK) Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Spackman Media Group Limited ("**SMGL**") for the sale of its 12,181 common voting shares of UAA Korea Co., Ltd. ("**UAA**"), representing 51.36% equity interest in UAA (the "**Proposed Disposal**"). Upon completion of the Proposed Disposal, UAA will cease to be a subsidiary of the Group. Based on the Proposed Disposal, the statement of profit or loss and other comprehensive income of UAA was classified as a single amount, profit from discontinued operation, of US$0.24 million in FY2015.

<u>Consolidated Statement of Financial Position</u>

Non-current assets

The Group's non-current assets amounted to US$9.58 million as at 31 December 2015. The change in non-current assets from US$6.44 million as at 31 December 2014 was mainly due to:

i) Increase in investment in associate of US$3.58 million from the subscription of shares in SMGPL;
ii) Increase in property, plant and equipment of US$2.43 million due to the construction of a building;
iii) Increase in film production inventories of US$0.08 million mainly related to several movies in the development stage;
iv) Long term financial instruments of US$0.06 million as at 31 December 2015 (31 December 2014: Nil) was in relation to a bank fixed deposit; and
v) Partially offset by a decrease in intangible assets of US$2.68 million mainly due to reclassification of brand name owned by UAA as assets held for sale, and a decrease in deferred tax assets of US$0.34 million due to the utilisation of deferred tax assets.

Current assets

The Group's current assets amounted to US$47.81 million as at 31 December 2015. The increase in current assets from US$25.60 million as at 31 December 2014 was mainly due to:

i) Increase in trade receivables of US$13.33 million from revenue generated from *THE PRIESTS*;
ii) Reclassification of UAA's total assets of US$8.99 million as held for sale in relation to the Proposed Disposal of UAA;
iii) Increase in investments of US$3.40 million mainly due to film investment funds;
iv) Increase in film production inventories of US$5.24 million mainly due to *MASTER* (Produced by Zip Cinema and presented by Opus Pictures) and *LIFE RISKING ROMANCE* (Presented by Novus Mediacorp and produced by a third party), which are currently expected to be released in 2016; and
v) Partially offset by a decrease in cash and cash equivalents of US$8.06 million mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below.

Non-current liabilities

The Group's non-current liabilities amounted to US$2.31 million as at 31 December 2015. The increase in non-current liabilities from US$0.12 million as at 31 December 2014 was mainly attributable to borrowings from the banks of US$1.96 million mainly for the construction of a building.

Current liabilities

The Group's current liabilities amounted to US$38.34 million as at 31 December 2015. The increase in current liabilities from US$14.50 million as at 31 December 2014 was mainly due to:

i) Increase in account payables of US$9.83 million mainly due to payables owing to the investors of *THE PRIESTS*;
ii) Increase in film obligations and production loans of US$6.13 million related to advances, which were received from customers for *MASTER, LIFE RISKING ROMANCE* and other films under development;
iii) Increase in liabilities held for sale of US$5.42 million due to the reclassification of UAA's total liabilities in relation to the Proposed Disposal of UAA;
iv) Increase in borrowings of US$2.55 million mainly for working capital purposes; and
v) Increase in deferred revenue of US$0.95 million mainly due to the minimum guarantee received for the Group's sale of distribution rights in ancillary market of films.

Consolidated Statement of Cash Flow

As at 31 December 2015, the Group had cash and cash equivalents amounting to US$4.11 million (excluding cash and cash equivalents held by UAA of US$1.84 million), as compared to cash and cash equivalents amounting to US$12.17 million as at 31 December 2014.

The significant cash movements during FY2015 as compared to FY2014 can be summarized as follows:

Cash flow used in operating activities for FY2015 amounted to US$4.58 million as compared to US$10.24 million for FY2014. The cash flow used in operating activities for FY2015 was mainly due to operating loss of US$0.93 million and the changes in working capital mainly resulting from an increase in receivables of US$19.55 million and an increase in film inventories of US$6.20 million, which was offset by an increase in payables of US$17.03 million and an increase in film obligations and production loans of US$5.04 million.

Cash flow used in investing activities for FY2015 was US$6.09 million as compared to US$0.67 million for FY2014. The cash flow used in investing activities for FY2015 was mainly due to an investment in film funds of US$3.28 million, cash used for the construction of a building of US$2.81 million, cash proceeds used for the acquisition of an associated company, SMGPL, of US$1.50 million, and partially offset by the collection of loans of US$1.25 million.

Cash flow generated from financing activities was US$4.76 million for FY2015 as compared to US$14.16 million for FY2014. The cash generated from financing activities in FY2015 was mainly due to net proceeds from additional loans which were utilised mainly for the construction of a building.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group will be releasing its mystery-thriller movie *MUSUDAN*, which is presented by Opus Pictures and produced by a third party on 3 March 2016. *LIFE RISKING ROMANCE*, which is presented and co-produced by Novus Mediacorp, and co-presented and distributed by Opus Pictures, is currently expected to be released in Korean theatres in April 2016.

As announced on 30 December 2015, the Group entered into a share swap agreement with Spackman Media Group Limited ("**Purchaser**") for the sale of its 45.8% equity interest in its associated company, Spackman Media Group Pte. Ltd. in consideration for 7,500,000 ordinary shares in the capital of the Purchaser ("**Proposed Share Swap**").

On 30 December 2015, the Group announced that it had entered into a sale and purchase agreement with the Purchaser for the sale of its 51.36% equity stake in UAA ("**Proposed Disposal**").

Subject to the receipt of necessary regulatory approvals, the Company will make the necessary follow-up announcements upon completion of the Proposed Share Swap and the Proposed Disposal.

11. Dividend

(a) Current Financial Period Reported On: Any dividend declared for the current financial period reported on?

No

(b) ***Corresponding Period of the Immediately Preceding Financial Year***: Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) ***Date payable:***

Not applicable.

(d) ***Books closure date:***

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for FY2015.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for interested person transactions.

The aggregate value of interested person transactions during FY2015 is as follows:

Name of interested person	Aggregate value of all interested person transactions for FY2015 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions for FY2015 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) S$'000
Spackman Equities Group Inc.[(1)]	130[(2)]	Not applicable
Tae Hun Lee[(3)]	188[(4)]	Not applicable

Notes:

(1) Spackman Equities Group Inc. is a controlling shareholder of the Company with an approximate shareholding interest of 38.77% in the Company.

(2) This relates to the rental payable under the sublease agreement dated 16 June 2014 with Spackman Equities Group Inc. pursuant to which the Company's wholly-owned subsidiary, Spackman Entertainment (HK) Limited ("**SEG (HK)**"), agreed to pay half the rent and associated costs and fees for the office space in Hong Kong, which SEG (HK) had sub-leased from Spackman Equities Group Inc.

(3) Tae Hun Lee is the Company's Executive Director and Chief Executive Officer.

(4) S$120,247 relates to an interest bearing loan of KRW 100.0 million at an interest rate of 6.9% per annum granted by the Company's indirect wholly-owned subsidiary, Opus Pictures Limited Liability Company, to Opus Press Limited Liability Company, which is wholly owned by Tae Hun Lee. The remaining amount of S$67,494 relates to a purchase of a vehicle by Opus Pictures Limited Liability Company for a consideration of KRW 56.13 million from Tae Hun Lee.

14. Use of IPO proceeds

The Company refers to the gross proceeds amounting to S$13.00 million raised from the IPO on the Catalist Board of the SGX-ST on 22 July 2014.

The status on the use of IPO proceeds in Singapore dollars as at the date of this announcement is as follows:

Use of IPO Proceeds	**Amount allocated after the Reallocations(1) (S$'000)**	**Amount utilised (S$'000)**	**Amount unutilised (S$'000)**
Investment into films produced by the Group or third parties	1,700(1)	1,200	500
Expansion of the Group's operations via acquisitions, joint ventures and investments	4,800	4,723	77
Establishment of overseas offices	500	411	89
General working capital	3,837(1)	3,630(2)	207
IPO expenditure	2,163	2,163	-
Total	**13,000**	**12,127**	**873**

Notes:

(1) Please refer to the Company's announcements dated 9 January 2015 and 11 May 2015 on the previous reallocations of net IPO proceeds which were made. In addition, the Company has reallocated S$0.5 million of the net proceeds initially allocated for the investment into films produced by the Group or third parties for its working capital purposes as the Company has no immediate and definite plans to use a significant portion of the allocated net proceeds for investment into films at this juncture (the "**Reallocations**").

(2) The Company has reallocated S$336,552 allocated for general working capital for the payment of IPO related expenses. The remaining S$3,293,332 has been utilised for payment to suppliers (S$1,077,082), payment of salary and director's fees (S$1,183,350), professional service fees (S$511,980) and others (S$520,920).

15. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

(USD'000)	Production of film		Other film related activities		Other		Total	
	FY2015	**FY2014**	**FY2015**	**FY2014**	**FY2015**	**FY2014**	**FY2015**	**FY2014**
Segment revenue	7,151	13,152	5,917	2,574	501	333	13,569	16,059
Segment profit / (loss)	(816)	(4,801)	(675)	940	(56)	121	(1,547)	(5,862)
Impairment loss on film production inventories	(624)	(1,455)	-	-	-	-	(624)	(1,455)
Unallocated expenses:								
Bargain purchase of associate							1,713	-
Share of results of associate							(467)	-
Depreciation and amortisation							(119)	(96)
Finance costs							(76)	(105)
Loss before tax							(1,120)	(7,518)
Tax expense							(392)	(562)
Loss for the year							(1,512)	(8,080)
Segment assets	6,827	5,429	5,650	1,063	135	137	12,612	6,629
Unallocated assets							35,786	25,410
Total assets							48,398	32,039
Segment liabilities	7,693	5,713	6,365	1,118	-	144	14,058	6,975
Unallocated liabilities							21,171	7,639
Total liabilities							35,229	14,614

The Group's revenues from external customers were derived primarily from customers in Korea. The non-current assets of the Group are all located in Korea.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

The Group's revenue for FY2015 was mainly derived from the production of film, which made up 52.70% of the Group's revenue (FY2014: 81.90%), followed by revenue from distribution of films and others, which made up 43.61% of the Group's revenue (FY2014: 16.03%), which, on aggregate, made up 96.31% (FY2014: 97.93%) of the Group's revenue for FY2015.

The decrease in revenue from the production of film from US$13.15 million in FY2014 to US$7.15 million in FY2015 was mainly attributable to a decrease in number of theatrical films produced by the Group from three films, namely, *FOR THE EMPEROR, CONFESSION* and *MY BRILLIANT LIFE* in FY2014 to one film, *THE PRIESTS*, in 2015.

The increase in revenue from other film related activities from US$2.57 million in FY2014 to US$5.92 million in FY2015 was mainly due to *THE PRIESTS,* which was one of the Group's well-performing films and distribution rights has been sold to overseas markets, including the U.S., Canada, Japan, Taiwan, the Philippines, China and Singapore.

For further details, please refer to note 8 above.

17. A breakdown of sales as follows:

	Group		
	FY2015 (Unaudited) US$'000	**FY2014 (Audited) US$'000**	**Increase / (Decrease) %**
(a) Sales reported for first half year	6,276	8,745	(28)
(b) Operating loss after tax before deducting minority interests reported for first half year	(2,761)	(898)	207
(c) Sales reported for second half year	7,293	7,314	-
(d) Operating profit/(loss) after tax before deducting minority interests reported for second half year	3,875	(7,082)	NM

NM – Not meaningful

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

	FY2015 S$'000	FY2014 S$'000
(a) Ordinary	-	-
(b) Preference	-	-
Total	**-**	**-**

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement

Pursuant to Rule 704(10) of the Listing Manual Section B: Rules of Catalist of SGX-ST, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a Director, Chief Executive Officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman

Date: 26 February 2016