

spackmanentertainmentgroup

NEWS RELEASE

SPACKMAN ENTERTAINMENT GROUP REPORTS FY2014 FINANCIAL RESULTS

- *Backed by a strong financial position, with cash and cash equivalents of US\$12.18 million as at December 31, 2014*
- *Recent acquisitions expected to start contributing to the Group's financial performance in FY2015*
- *Committed to strategy to grow through accretive acquisitions to seek new talent and diversify income streams across the Korean entertainment industry*
- *Next major Korean release, BLACK PRIESTS, to be released in August 2015*

Singapore, 27 February 2015 – Spackman Entertainment Group Limited (“**Spackman Entertainment Group**” or the “**Company**” and together with its subsidiaries, the “**Group**”), one of Korea’s leading entertainment production groups, has reported a full-year loss before tax of US\$7.50 million for the financial year ended 31 December 2014 (“**FY2014**”) on the back of weak box office performances of the Group’s films as well as significant one-off listing expenses incurred during the initial public offering exercise, which was completed in July 2014.

During the year under review, the Group’s revenue increased 35% from US\$11.89 million in FY2013 to US\$16.06 million in FY2014. The increase was mainly due to revenue generated from the Group’s production and/or presentation of four films, namely *FOR THE EMPEROR* (produced and presented by an indirect wholly-owned subsidiary of the Company, Opus Pictures Limited Liability Company (“**Opus Pictures**”)), *CONFESSION* (produced by Opus Pictures) and *MY BRILLIANT LIFE* (produced by an indirect wholly-owned subsidiary of the Company, Zip Cinema Co., Ltd. (“**Zip Cinema**”)) and *BIG MATCH* (presented by Opus Pictures). In FY2013, the Group was involved in the production and presentation of one film, *COLD EYES* (produced by Zip Cinema and presented by Opus Pictures).

The weak box office ticket sales of the Group’s films in FY2014 resulted in lower revenue from other film related activities compared to a year ago, with a drop in share of profit from films produced by the Group and from film presentation, investments and distributions.

Mr. Charles Spackman, Executive Chairman of Spackman Entertainment Group, said, “Since 2009, the movies produced by our subsidiaries had, on average, made profit in every fiscal year, but FY2014 was the first year in the last five fiscal years that our movies had, on average, returned a loss. Despite the weak performance of our movies at the domestic box office, the Group’s disciplined approach to the production of and

investment in films had limited our losses on the Group's four films to US\$0.47 million, which only accounts for 6% of our losses after tax. External factors such as the Sewol Ferry disaster in April 2014 and the 2014 FIFA World Cup in the summer weighed heavily on the domestic film market and the overall box office started to recover in August 2014. This affected the box office performance of our movies released during that period. In addition, the overall Korean winter box office also underperformed, compared to the prior two years.

Nevertheless, the Company has experienced such challenges in the past and we remain confident about the prospects of the Korean domestic movie industry. The Group's strong financial position after our listing enables us to withstand the fluctuations of the movie business.

Backed by the expertise and experience of our team, we aim to continue to make commercially successful films to strengthen our financial performance. Any one commercially strong film can improve our financial performance."

Performance Overview

In FY2014, the Group generated US\$3.74 million, US\$4.38 million, US\$5.10 million, and US\$0.80 million in film production and other film related revenue from *FOR THE EMPEROR*, *CONFESSION*, *MY BRILLIANT LIFE* and *BIG MATCH*, respectively. This was compared to US\$10.35 million in revenue contributed by *COLD EYES* in FY2013.

Besides the above-mentioned film production and other film related revenue from the Group's four films, the Group also recognised revenue of US\$0.81 million in FY2014 from the distribution of several other films. In addition, revenue from the production of documentaries amounted to US\$0.91 million while consultancy services and restaurant sales from its café lounge business contributed the balance US\$0.32 million.

Meanwhile, the Group's cost of sales jumped 145% to US\$15.56 million in FY2014, mainly due to the Group's four films released in the year compared to just one film a year ago. Selling expenses also increased 92% to US\$0.66 million in FY2014.

Despite the Group's films performing below expectations at the domestic box office, the Group had made a profit from two out of its four films, namely, *MY BRILLIANT LIFE* and *FOR THE EMPEROR* of US\$0.31 million and US\$0.09 million, respectively. On the other hand, the Group made a loss of US\$0.47 million and US\$0.40 million on *CONFESSION* and *BIG MATCH*, respectively. As such, the Group's resultant loss from the four films was US\$0.47 million.

General and administrative expenses increased 241% from US\$2.28 million in FY2013 to US\$7.78 million in FY2014. The increase was mainly due to one-off and non-recurring expenses of US\$3.87 million, which consist of the impairment loss on film production inventory of US\$1.46 million, IPO expenses of US\$1.33 million, bad

debt expenses of US\$0.63 million and foreign exchange loss of US\$0.45 million recognised in FY2014. Without taking into account these one-off and non-recurring expenses, the Group's general and administrative expenses would have been US\$3.91 million, representing an increase of 71% from FY2013. This increase was mainly attributable to higher operating expenses due to an increase in employee headcount, travelling expenses and professional service fees as the Group transitioned to a public listed company.

Despite the loss before tax of US\$7.50 million, the Group recognised tax expenses of US\$0.57 million as a result of deferred tax assets recorded in prior years being expensed off. However, this did not result in any cash outflow. The Group's net loss after tax for FY2014 was US\$8.07 million.

As at 31 December 2014, the Group's cash and cash equivalents stood at a healthy level of US\$12.18 million as compared to US\$9.21 million as at 31 December 2013. Total assets and total liabilities as at 31 December 2014, amounted to US\$32.05 million and US\$14.62 million, respectively, which translates to a debt-to-equity ratio of 0.83 times as compared to 1.87 times as at 31 December 2013.

Outlook

The Group expects to release its first major Korean film, *BLACK PRIESTS*, in August 2015. Produced by Zip Cinema, *BLACK PRIESTS* stars Gang Dong-won and Kim Yoon-seok, who are collaborating for the first time in six years after their 2009 hit movie *WOOCHI*, which was also produced by Zip Cinema and sold more than six million tickets.

Over the past six months, the Group has completed a number of acquisitions, which are expected to start contributing to its financial performance from this year onwards. These include Novus Mediacorp Co., Ltd., which is an investor and presenter of Korean theatrical films, specialising in ancillary distribution; talent agency UAA Korea Co., Ltd., which represents Song Hye-kyo (*THE CROSSING; MY BRILLIANT LIFE; THE GRANDMASTER; HWANG JIN YI; THE QUEENS*), Gang Dong-won (*MY BRILLIANT LIFE; KUNDO; HAUNTERS*), and Yoo Ah-in (*ELEGANT LIES; PUNCH*); and professional photography studio, noon pictures Co., Ltd.

Mr. Charles Spackman added, "These recently acquired business straddle different parts of the value chain within the Korean entertainment industry. Besides strategically strengthening our core capabilities in the movie production business, these acquisitions are expected to stabilise the Group's overall fiscal performance. This is part of the Group's strategy to grow through accretive acquisitions to seek new talent and diversify income streams across the Korean entertainment industry and we will continue to actively pursue such opportunities going forward."

About Spackman Entertainment Group Limited

Spackman Entertainment Group Limited (“**SEGL**”), and together with its subsidiaries, the “**Group**”) is a leading entertainment production company that is primarily engaged in the independent development, production, presentation, and financing of theatrical motion pictures in Korea. SEGL is listed on the Catalist of the Singapore Exchange Securities Trading Limited under the ticker 40E.

Our three motion picture production and financing subsidiaries, namely, Zip Cinema Co., Ltd. (“**Zip Cinema**”), Opus Pictures Limited Liability Company (“**Opus Pictures**”), and Novus Mediacorp Co., Ltd. (“**Novus Mediacorp**”) are three of the most recognized film production labels in Korea, and have originated, produced, and financed some of Korea’s most commercially successful theatrical films for the past 7 years. Our films are theatrically distributed and released in Korea and overseas markets, as well as for subsequent post-theatrical worldwide release in other forms of media, including cable television, broadcast television, IPTV, video-on-demand, and home video/DVD, etc. We release all of our motion pictures into wide-theatrical exhibition initially in Korea, and then in overseas and ancillary markets.

Zip Cinema and Opus Pictures have produced/presented and released a total of 17 theatrical motion pictures since their incorporation, the majority of which were profitable and some of which were among the top grossing films in Korea in recent years. Recent theatrical releases of our motion pictures include some of Korea’s highest grossing and award-winning films such as *SNOWPIERCER* (2013-2014), *COLD EYES* (2013), and *ALL ABOUT MY WIFE* (2012). In addition, for the past 5 years, Novus Mediacorp was the investor, presenter, and/or ancillary distributor for a total of 54 films (35 Korean and 19 foreign) including *SECRETLY, GREATLY*, which was one of the biggest box office hits of 2013 starring Kim Soo-hyun of *MY LOVE FROM THE STARS* fame, as well *FRIEND 2: THE GREAT LEGACY*. In 2012, Novus was also the ancillary distributor of *ALL ABOUT MY WIFE*, a top-grossing romantic comedy produced by Zip Cinema.

In addition to our core production business, we also make investments into entertainment companies and film funds that can financially and strategically complement our existing core operations: we own one of Korea’s leading talent management agencies, UAA Korea Co., Ltd., which represents Hallyu stars Song Hye-kyo (*THE CROSSING; MY BRILLIANT LIFE; THE GRANDMASTER; HWANG JIN YI; THE QUEENS*), Gang Dong-won (*MY BRILLIANT LIFE; KUNDO; HAUNTERS*), and Yoo Ah-in (*ELEGANT LIES; PUNCH*); operate a café-lounge called Upper West, in the Gangnam district of Seoul; own a professional photography studio, noon pictures Co., Ltd.; and produce documentary programmes for broadcast and cable television through Film Auteur Co., Ltd.

On 17 October 2014, the Company signed a definitive agreement to acquire a 51.0% majority stake in Breakfastfilm Co., Ltd. ("**Breakfastfilm**"), a leading marketing and media company that specializes in the production of TV/new media commercials and K-pop music videos in Korea. Founded in 2004, Breakfastfilm has produced some of Korea's most well-known TV commercials for major multinational clients such as Samsung, Hyundai Motors, LG, Coca-Cola, McDonald, Adidas as well as other major Korean corporate brands. Moreover, as a leading producer of K-pop music videos, Breakfastfilm has produced many of Korea's most popular music videos including Wonder Girls' *Nobody*, Girls Generation's *Genie*, 2PM's *Without You*, Miss A's *Breathe*, Rain's *I'm Coming*, Super Junior's *Bonamana*, Shinee's *Everybody*, and JYP's *No Love No More*. (www.breakfastfilm.com)

For more details, do visit <http://www.spackmanentertainmentgroup.com/>

Important Notice

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 was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This press release 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 press release.

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

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