

spackmanentertainmentgroup

SPACKMAN ENTERTAINMENT GROUP LIMITED
(Company Registration No.: 201401201N)
(Incorporated in the Republic of Singapore on 10 January 2014)

ACQUISITION OF MAJORITY STAKE IN BREAKFASTFILM CO., LTD.

1. INTRODUCTION

The Board of Directors (the “Board” or the “Directors”) of Spackman Entertainment Group Limited (the “Company” and together with its subsidiaries, the “Group”) wishes to announce that the Company has on 17 October 2014 entered into a conditional subscription agreement (the “Agreement”) with Breakfastfilm Co., Ltd. (“Breakfastfilm”) to subscribe to 34,630 common shares of Breakfastfilm, representing 46.4% equity interest of Breakfastfilm as of the date of the Agreement for a total cash consideration of KRW 1,300,000,000 (SGD 1.55 million) (the “Subscription”).

The Company's indirect wholly owned subsidiary, Opus Pictures Limited Liability Company (“Opus”), owns convertible notes issued by Breakfastfilm (the “Convertible Note”), further details of which are set out in Section 3 of this announcement. Pursuant to the execution of the Agreement, the Convertible Note will be transferred from Opus to the Company, for direct ownership by the Company, and the Convertible Note shall be converted into shares of Breakfastfilm in accordance with the terms and conditions of the Convertible Note as soon as practicable (the “Conversion”). Upon the completion of the Subscription and the Conversion (the “Acquisition”), the Company will hold 51.0% equity interest in the enlarged share capital of Breakfastfilm.

2. INFORMATION ON BREAKFASTFILM

Breakfastfilm is a leading marketing and media company that specializes in the production of TV/new media commercials and music videos in Korea. Breakfastfilm also provides marketing strategies and solutions for various new media platforms to its clients. Breakfastfilm has produced some of Korea's most well-known TV/new media commercials for major multinational clients such as Samsung, Hyundai Motors, SKT, LG, KT, Coca-Cola, McDonald, Adidas, Sketchers, Maxim, as well as other major Korean corporate brands. As a leading producer of K-pop music videos, Breakfastfilm has produced music videos for top K-pop artists including:

Wonder Girls (<i>Nobody; Like This</i>)	Rain (<i>Rainism; I'm Coming</i>)
Girls Generation (<i>Hoot; Genie</i>)	Super Junior (<i>Bonamana; Hero</i>)
2PM (<i>Without You; Masquerade; Give Me Love</i>)	Shinee (<i>Everybody</i>)
Miss A (<i>Breathe</i>)	JYP (<i>No Love No More</i>)

Breakfastfilm was incorporated in the Republic of Korea on 27 July 2004 and has an issued and paid-up share capital of KRW 200,000,000 comprising 40,000 ordinary shares, which are owned by the CEO of Breakfastfilm, Mi Ra Park.

As of the date of the Acquisition, Breakfastfilm has 27 full-time employees in Seoul. According to its unaudited financial statements, Breakfastfilm earned a revenue of KRW5.93 billion (SGD 7,116,000 based on the exchange rates of KRW1:SGD 0.0012) and made a profit after tax of KRW98.69 million (SGD 118,428) for the financial year ending 31 December 2013.

On 1 March 2014, Breakfastfilm established a wholly-owned subsidiary in China, Breakfast Film Shanghai Co., Ltd. ("BFF Shanghai") with USD150,000 of paid up capital. BFF Shanghai has 7 employees and already has contracts with Ogilvy Guangzhou, Saatchi & Saatchi Guangzhou, and Cheil Worldwide Beijing.

3. SALIENT DETAILS OF THE ACQUISITION

Purchase Consideration

The consideration of KRW1.3 billion (the "Consideration") for 46.4% of the issued share capital of Breakfastfilm as at the date of the Agreement was arrived at between the Company and Breakfastfilm after arm's length negotiations and on a "willing buyer, willing seller" basis, taking into account, amongst others, the net asset value of Breakfastfilm of approximately KRW1.7 billion (equivalent to USD1,530,000 and SGD2,040,000 based on the exchange rates of KRW1:USD0.0009 and KRW1:SGD0.0012 respectively) based on the unaudited proforma consolidated financial statements of Breakfastfilm for the 9 months financial period ended 30 September 2014.

The Consideration will be paid entirely by cash upon completion of the Subscription and will be funded by the proceeds from the Company's initial public offering ("IPO") on 22 July 2014.

Convertible Note Conversion

On 24 March 2014, our indirect wholly-owned subsidiary, Opus, invested KRW265 million into the Convertible Note. Funds from the Convertible Note were earmarked

for Breakfastfilm's opening of an office in China and its expansion into the China market. The Convertible Note has a maturity of one year, an interest rate of 7.0% per annum and is convertible into the common shares of Breakfastfilm at a conversion price of KRW 37,540 per share at any time before maturity. The conversion of the entire principal of the Convertible Note into shares of Breakfastfilm on the maturity date would represent 15.0% of the then outstanding shares in Breakfastfilm (which does not take into account the 34,630 common shares of Breakfastfilm to be issued pursuant to the Subscription).

Pursuant to the execution of the Agreement, at a time to be agreed upon between the Company and Breakfastfilm, Breakfastfilm shall first pay any and all accrued interest on the Convertible Note to Opus, and then the Company shall cause the Convertible Note to be transferred from Opus to the Company, for direct ownership by the Company, and no interest shall accrue after such transfer. The Convertible Note then shall be immediately converted in full into shares of Breakfastfilm in accordance with the terms and conditions of the Convertible Note.

4. CONDITIONS PRECEDENT

Pursuant to the Agreement, the completion of the Subscription is conditional upon:

1. Each party, being Breakfastfilm and the Company, having obtained all necessary regulatory approvals and consents in their respective jurisdictions, as well as the consents of its board of directors and shareholders, if required.

5. RATIONALE FOR INVESTMENT

The Board of Directors is of the view that the Acquisition would be in the best interest of the Company for the following reasons:

1. The Acquisition is in line with the Company's strategic plan to develop and expand its entertainment media business;
2. Strategically, the marketing expertise and experience of Breakfastfilm can reinforce and complement the Group's film marketing strategies and efforts;
3. The Company intends to tap on the Breakfastfilm's marketing strength and customer network in China to strengthen its presence in China;
4. The Company believes that Breakfastfilm's expertise in producing short films will add value in the production of trailers and other marketing material for

the Group's films (for example, "The Making Of" films, TV/internet advertisements, etc.);

5. Also, Breakfastfilm has clientele who are large corporations, and such relationships could lead to joint marketing and promotion opportunities (for example, product placement, joint promotional events, etc.) with larger consumer product companies for the Group's film projects. Such joint marketing and promotion relationships can help the Group to reduce the production and P&A (prints and advertising) costs for its films;
6. Conversely, the Company believes that Breakfastfilm would benefit from the Group's production capabilities and experience as it is a producer of short films, i.e., TV/new media commercials and music videos. It will also be able to provide a broader service to its marketing clients by offering joint marketing opportunities with the Group's films as described above; and
7. The Company believes that such potential strategic benefits gained from its involvement could lead to faster growth in Breakfastfilm's results of operations and, in turn, lead to an increase in the value of its equity in Breakfastfilm.

6. FINANCIAL EFFECTS OF THE ACQUISITION

The financial effects of the Acquisition are purely for illustrative purposes only and do not reflect the future actual financial performance or position of the Group after completion of the Acquisition.

The following financial effects have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 ("FY2013"), assuming that the Acquisition had been completed at the beginning of FY2013 for the computation of the effect on the earnings per share, and at the end of FY2013 for the computation of the effect on the net tangible assets per share.

Earnings Per Share ("EPS")

	Before Acquisition	Post Acquisition
Profit attributable to shareholders of the Company for FY2013 (USD)	2,684,428	2,730,391
EPS ⁽¹⁾ (US cents)	0.68	0.69

Note:

1. Calculated based on the profit attributable to shareholders of the Company for FY2013 and the issued share capital of 395,310,000 shares post the Company's IPO.

Net Tangible Assets (“NTA”) per share

	Before Acquisition	Post Acquisition
NTA (USD)	946,551	647,976
NTA per share ⁽¹⁾ (US cents)	0.24	0.16

Note:

1. Calculated based on the NTA of the Group as at 31 December 2013 and the issued share capital of 395,310,000 shares post the Company's IPO.

7. NON-DISCLOSEABLE TRANSACTION

The relative figures for the Acquisition computed on the bases set out in Rule 1006 of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual: Section B: Rules of Catalyst (the “Catalist Rules”) and based on the latest announced consolidated accounts of the Group are as follows:

Rule 1006 (a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
Rule 1006 (b)	Net profits attributable to the assets acquired compared with the Group's net profits	(3.84)% ⁽¹⁾
Rule 1006 (c)	Aggregate value of the consideration given, compared with the market capitalization	2.05% ⁽²⁾
Rule 1006 (d)	Number of equity securities issued as consideration for the Acquisition, compared with the number of equity securities previously issued	Not applicable
Rule 1006 (e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

1. Computed based on 51% of the unaudited profit before tax of Breakfastfilm of KRW79,436,300 (equivalent to USD71,493 based on the exchange rate of

KRW1:USD0.0009) for the six months ended 30 June 2014 (“HY2014”) and the unaudited loss before tax of the Group of USD950,666 for HY2014.

2. Computed based on the aggregate consideration of KRW1.565 billion (equivalent to SGD1,878,000 based on the exchange rate of KRW1:SGD0.0012) for the Subscription and the investment in the Convertible Note, and the Company’s market capitalisation of approximately S\$[92.86 million], based on 395,310,000 shares in issue and the weighted average price of S\$0.2320 per share based on trades done on Catalist of the SGX-ST on 16 October 2014 (being the last full market day preceding the date of the Agreement).

Based on the relative figure under Catalist Rule 1006(c) above, the Acquisition is a non-discloseable transaction. In relation to Catalist Rule 1006(b), the negative relative figure was due to the Group’s unaudited loss before tax for HY2014 while Breakfastfilm had been profitable for HY2014. Therefore, the application of Catalist Rule 1006(b) in this instance is not regarded as meaningful.

8. INTERESTS OF DIRECTORS AND/OR CONTROLLING SHAREHOLDERS

None of the Directors or the controlling shareholders of the Company has any direct or indirect interest in the Acquisition (other than through their shareholdings in the Company, if any). None of the Directors or the controlling shareholders of the Company are related to the owner of Breakfastfilm.

9. DIRECTORS’ SERVICE CONTRACTS

There are no persons who are proposed to be appointed as a Director of the Company in connection with the Acquisition. Accordingly no service contract is proposed to be entered into between the Company and any such person.

10. DOCUMENT FOR INSPECTION

A copy of the Agreement will be made available for inspection by the shareholders of the Company during the normal business hours at 16 Collyer Quay, #17-00, Singapore 049318 for a period of 3 months from the date of this announcement.

The Company will make the necessary follow-up announcement upon the completion of the Acquisition.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman
17 October 2014

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 announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

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

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