

APPENDIX TO THE ANNUAL REPORT 2014

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Appendix is issued by Spackman Entertainment Group Limited (the “**Company**”) together with the Company’s annual report for the financial year ended 31 December 2014. Its purpose is to provide shareholders with the relevant information relating to the proposed adoption of the Share Buy Back Mandate (as defined herein) and to seek shareholders’ approval for the same at the Annual General Meeting of the Company to be held at Orchid Country Club, 1 Orchid Club Road, Sapphire I, Level 2, Singapore 769162 on Tuesday, 21 April 2015 at 10.00 a.m.

If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company, you should immediately forward this Appendix, the Notice of Annual General Meeting and the attached Proxy Form to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or the transfer was effected, for onward transmission to the purchaser or the transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (“**Sponsor**”), for compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this Appendix.

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

The contact person for the Sponsor is Ms. Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone: (65) 6229 8088.

spackmanentertainmentgroup

SPACKMAN ENTERTAINMENT GROUP LIMITED

(Company Registration Number 201401201N)

(Incorporated in the Republic of Singapore)

**APPENDIX TO SHAREHOLDERS IN RELATION TO
THE ADOPTION OF THE PROPOSED SHARE BUY BACK MANDATE**

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DEFINITIONS

In this Appendix, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:

<i>“ACRA”</i>	:	Accounting and Corporate Regulatory Authority
<i>“Act” or “Companies Act”</i>	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
<i>“AGM”</i>	:	The annual general meeting of the Company
<i>“Annual Report”</i>	:	The annual report of the Company for FY2014
<i>“Appendix”</i>	:	This Appendix to Shareholders dated 6 April 2015 in respect of the proposed Share Buy Back Mandate
<i>“Associate”</i>	:	(a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. (b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
<i>“Articles”</i>	:	The Articles of Association of the Company, as amended from time to time
<i>“Board of Directors” or “Board”</i>	:	The board of directors of the Company as at the date of this Appendix
<i>“Catalist”</i>	:	The sponsor-supervised listing platform of the SGX-ST
<i>“Catalist Rules”</i>	:	Section B: Rules of Catalist of the Listing Manual of the SGX-ST as amended, supplemented or modified from time to time
<i>“CDP”</i>	:	The Central Depository (Pte) Limited

<i>“Company”</i>	:	Spackman Entertainment Group Limited
<i>“Controlling Shareholder”</i>	:	A person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15% or more of the issued share capital of the Company; or (b) in fact exercises control over the Company
<i>“Directors”</i>	:	The directors of the Company as at the date of this Appendix
<i>“EPS”</i>	:	Earnings per Share
<i>“FY”</i>	:	Financial year of the Company ended or ending 31 December (as the case may be)
<i>“Group”</i>	:	The Company and its subsidiaries
<i>“Latest Practicable Date”</i>	:	24 March 2015, being the latest practicable date prior to the printing of this Appendix
<i>“LPS”</i>	:	Loss per share
<i>“Market Day”</i>	:	A day on which SGX-ST is open for securities trading
<i>“Memorandum”</i>	:	The Memorandum of Association of the Company
<i>“NAV”</i>	:	Net assets value
<i>“NTA”</i>	:	Net tangible assets
<i>“Relevant Period”</i>	:	The period commencing from the date on which the ordinary resolution in relation to the Share Buy Back Mandate is passed in a general meeting and expiring on the earliest of the date on which the next AGM is held or is required by law to be held, or the date the said mandate is revoked or varied by the Company in a general meeting
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
<i>“SFA” or “Securities and Futures Act”</i>	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Share(s)”</i>	:	Ordinary share(s) in the share capital of the Company
<i>“Shareholders”</i>	:	The registered holders of the Shares in the register of members of the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with such Shares

<i>“Share Buy Back Mandate”</i>	:	The proposed general and unconditional mandate given by Shareholders at the AGM to authorise the Directors to exercise all the powers of the Company to purchase or otherwise acquire issued Shares within the Relevant Period, in accordance with the terms set out in this Appendix, as well as the rules and regulations set forth in the Companies Act and the Catalist Rules
<i>“SQG”</i>	:	Spackman Equities Group Inc.
<i>“Substantial Shareholder”</i>	:	A person (including a corporation) who holds, directly or indirectly, 5% or more of the total issued share capital of the Company
<i>“Takeover Code”</i>	:	The Singapore Code on Take-overs and Mergers, and all practice notes, rules and guidelines thereunder, as may from time to time be issued or amended
<i>“Treasury Shares”</i>	:	Issued Shares of the Company which was (or is treated as having been) purchased by the Company in circumstances which Section 76H of the Companies Act applies and has since purchase been continuously held by the Company

Currencies, Units and Others

<i>“SGD”, “S\$”, or “cents”</i>	:	Singapore dollars and cents, respectively
<i>“USD”, “US\$”, or “US cents”</i>	:	United States dollars and cents, respectively
<i>“%” or “per cent”</i>	:	Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act.

The term **“subsidiary”** shall have the meaning ascribed to it under Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Appendix to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Catalist Rules or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, the Catalist Rules or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference in this Appendix to Shares being allotted to a person includes allotment to CDP for the account of that person.

Any reference to a time of day in this Appendix shall be a reference to Singapore time, unless otherwise stated.

Any discrepancies in this Appendix between the amounts listed and the total thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures which precede them.

SPACKMAN ENTERTAINMENT GROUP LIMITED

(Company Registration Number 201401201N)
(Incorporated in the Republic of Singapore)

Directors:

Charles Choi Spackman (Executive Chairman)
Tae Hun Lee (Executive Director and Chief Executive Officer)
Yoo Jin Lee (Executive Director and Chief Producer)
Thong Yuen Siew Jessie (Lead Independent Director)
Anthony Wei Kit Wong (Independent Director)
Ng Hong Whee (Independent Director)

Registered Office:

16 Collyer Quay
#17-00
Singapore 049318

6 April 2015

To: The Shareholders of Spackman Entertainment Group Limited

Dear Shareholder,

1. INTRODUCTION

The Directors are proposing to seek Shareholders' approval at the forthcoming AGM for the proposed adoption of the Share Buy Back Mandate.

The purpose of this Appendix is to provide Shareholders with information relating to, and to seek Shareholders' approval for, the proposed adoption of the Share Buy Back Mandate to be tabled at the forthcoming AGM. The notice of the AGM is set out on pages 107 to 113 of the Annual Report.

The Sponsor and the SGX-ST take no responsibility for the contents of this Appendix, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Appendix.

2. THE PROPOSED ADOPTION OF THE SHARE BUY BACK MANDATE

2.1 Background

The Companies Act allows a Singapore-incorporated company to purchase or otherwise acquire its issued ordinary shares, stocks and preference shares if the purchase or acquisition is permitted under the Company's Articles. Any purchase or acquisition of Shares by the Company would have to be made in accordance with, and in the manner prescribed by, the Companies Act and the Catalist Rules and such other laws and regulations as may for the time being be applicable. As the Company is listed on Catalist, it is also required to comply with Part XI of Chapter 8 of the Catalist Rules, which relates to the purchase or acquisition by an issuer of its own shares. Article 10(B) of the Company's Articles expressly permits the Company to purchase its issued Shares.

It is a requirement under the Companies Act and the Catalist Rules that a company which wishes to purchase or otherwise acquire its own shares should obtain approval of its shareholders to do so at a general meeting. Accordingly, approval is being sought from Shareholders at the AGM for the proposed adoption of the Share Buy Back Mandate.

If approved by Shareholders at the AGM, the authority conferred by the Share Buy Back Mandate will continue to be in force until the next AGM of the Company (whereupon it will lapse, unless renewed at such meeting) or until it is varied or revoked by the Company in general meeting (if so varied or revoked prior to the next AGM).

2.2 Rationale for the Share Buy Back Mandate

The proposed Share Buy Back Mandate will give the Directors the flexibility to purchase or acquire the Shares of the Company if and when circumstances permit. The Directors believe that share buy-backs provide the Company and its Directors with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. It also allows the Directors to exercise greater control over the Company's share capital structure, dividend payout and cash reserves with a view to enhancing the EPS and/or NAV per Share.

Pursuant to the Companies Act, Shares purchased or otherwise acquired pursuant to the Share Buy Back Mandate may be held or dealt with as Treasury Shares.

If and when circumstances permit, the Directors will decide whether to effect the Share purchases via on-market purchases or off-market purchases, after taking into account the amount of surplus cash available, the prevailing market conditions and the most cost-effective and efficient approach.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate will only be made when the Directors believe that such purchases or acquisitions would be made in circumstances which would not have a material adverse effect on the financial position of the Company or the Group and when the Directors believe that such purchases or acquisitions would benefit the Company and its Shareholders.

2.3 Terms of the Share Buy Back Mandate

The authority and limitations placed on purchases and acquisitions of Shares by the Company under the Share Buy Back Mandate are summarised below:

2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired by the Company pursuant to the Share Buy Back Mandate during the Relevant Period is limited to that number of Shares representing not more than 10% of the issued share capital of the Company, ascertained as at the date of the AGM at which the Share Buy Back Mandate is approved (the "**Approval Date**"), unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered. For purposes of calculating the percentage of issued shares above, any of the Shares which are held as Treasury Shares will be disregarded.

For illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date comprising 398,770,209 Shares, and assuming that no further Shares are issued on or prior to the AGM, not

more than 39,877,020 Shares (representing 10% of the issued and paid-up share capital of the Company as at the date of the AGM) may be purchased or acquired by the Company pursuant to the Share Buy Back Mandate.

2.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made during the Relevant Period, at any time and from time to time, on and from the Approval Date, up to the earlier of:

- (a) the conclusion of the next AGM or the date by which such AGM is required by law to be held;
- (b) the date on which the buy-back of the Shares are carried out to the full extent mandated; or
- (c) the date on which the authority conferred in the Share Buy Back Mandate is varied or revoked by the Shareholders in a general meeting.

The Share Buy Back Mandate may be renewed at each AGM or any other general meeting of the Company.

2.3.3 Manner of Purchase of Shares

Purchases of Shares may be made by way of:

- (a) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the ready market and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as defined in Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy Back Mandate, the Catalist Rules and the Companies Act as they consider fit in the interest of the Company in connection with or in relation to any equal access scheme(s). An Off-Market Purchase must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded:
 - (aa) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (bb) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and

- (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Catalist Rules provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders, which must contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed Share buy-back;
- (d) the consequences, if any, of Share buy-back by the Company that will arise under the Takeover Code or other applicable take-over rules;
- (e) whether the Share buy-back, if made, would have any effect on the listing of the Shares on Catalist;
- (f) details of any Share buy-back made by the Company in the previous 12 months (whether by way of Market Purchases or Off-Market Purchases in accordance with an equal access scheme), setting out the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares.

2.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchase or acquisition of the Shares, must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter),

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, preceding the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period.

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased Shares under the Share Buy Back Mandate

At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as Treasury Shares, or partly cancelled and partly kept as Treasury Shares, as the Directors deem fit in the interest of the Company at that time.

2.4.1 Cancellation

Any Share which is purchased or acquired by the Company shall, unless held as Treasury Shares to the extent permitted under the Companies Act, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Shares.

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Companies Act) will be automatically de-listed from Catalist, and certificates (if any) in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

2.4.2 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the provisions on Treasury Shares under the Companies Act are summarised below:

(i) Maximum Holdings

The number of Shares held as Treasury Shares cannot at any time exceed 10% of the total number of issued Shares. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Companies Act within six (6) months or such further periods as ACRA may allow.

(ii) Voting and Other Rights

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of Treasury Shares. However, the allotment of Shares as fully paid bonus shares in respect of Treasury Shares is allowed. A subdivision of any Treasury Shares into Treasury Shares of a

larger amount, or consolidation of any Treasury Shares into Treasury Shares of a smaller amount, is also allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.

(iii) Disposal and Cancellation

Where Shares are held as Treasury Shares, the Company may at any time:

- (aa) sell the Treasury Shares for cash;
- (bb) transfer the Treasury Shares for the purposes of, or pursuant to an employees' share scheme of the Company;
- (cc) transfer the Treasury Shares as consideration for the acquisition of Shares in, or assets of, another company or assets of a person;
- (dd) cancel the Treasury Shares; or
- (ee) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister for Finance of Singapore.

The Company, upon undertaking any sale, transfer, cancellation and/or use of Treasury Shares, will comply with Rule 704(31) of the Catalist Rules, which provides that an issuer must make an immediate announcement thereof, stating the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of Treasury Shares sold, transferred, cancelled and/or used;
- (d) number of Treasury Shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of Treasury Shares against the total number of Shares outstanding before and after such sale, transfer, cancellation and/or use; and
- (f) value of the Treasury Shares if they are used for a sale or transfer, or cancelled.

2.5 Source of Funds for Share Buy Back

In purchasing or acquiring Shares, the Company may only apply funds legally available for such purchase in accordance with its Memorandum and Articles, and the applicable laws in Singapore. The Company may not buy Shares on Catalist for a consideration other than cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the Catalist Rules. As stated in the Companies Act, the Share buy-back may be made out of the Company's profits or capital so long as the Company is solvent.

Pursuant to Section 76F(4) of the Companies Act, the Company is solvent if (a) it is able to pay its debts in full at the time of payment and will be able to pay its debts as they fall due in the normal course of business in the 12 months following such date of payment; and (b) the value of its assets is not less than the value of its liabilities (including contingent liabilities) and such value of its assets will not, after any purchase of Shares for purposes of any proposed acquisition or release of the Company's obligations, become less than the

value of its liabilities (including contingent liabilities). In determining whether the Company is solvent, the Directors must have regard to the most recently audited financial statements, other relevant circumstances, and may rely on valuations or estimates of assets or liabilities. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any counter-claims by the Company.

When Shares are purchased or acquired, and cancelled:

- (a) if the Shares are purchased or acquired entirely out of the capital of the Company, the Company shall reduce the amount of its share capital by the total amount of the purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax, clearance fees and other related expenses) (the “**Purchase Price**”) and the amount available for the distribution of dividends by the Company will not be reduced;
- (b) if the Shares are purchased or acquired entirely out of profits of the Company, the Company shall reduce the amount of its profits and the amount available for distribution of dividends by the total amount of the Purchase Price; or
- (c) where the Shares are purchased or acquired out of both the capital and the profits of the Company, the Company shall reduce the amount of its share capital and profits proportionately by the total amount of the Purchase Price.

The Company may use internal resources and/or external borrowings to finance purchases of its Shares pursuant to the Share Buy Back Mandate.

The Directors do not propose to exercise the Share Buy Back Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially adversely affected.

2.6 Take-over Implications under the Takeover Code

The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.6.1 Appendix 2 of the Takeover Code

Appendix 2 of the Takeover Code contains the Share Buy-back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out in paragraph 2.6 of this Appendix.

2.6.2 Obligation to make a take-over offer

Rule 14 of the Takeover Code (“**Rule 14**”) requires, *inter alia*, that except with the consent of the SIC, where:

- (a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or

- (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights,

such person shall extend immediately an offer on the basis set out below to the holders of any class of shares in the capital which carries votes and in which such person or persons acting in concert with him hold shares. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

In calculating the percentages of voting rights of such person and their concert parties, Treasury Shares shall be excluded.

2.6.3 Persons acting in concert

Persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely, (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts) and (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, ownership or control of 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

Consequently, a Director and persons acting in concert (as such term is defined in the Takeover Code) with him could, depending on the level of increase in his/her or their interest in the Company, become obliged to make a mandatory offer in accordance with Rule 14 as a result of the Company's buy-back of Shares.

Unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by 1% in any period of six (6) months.

Further details of the interests of the Directors and Substantial Shareholders of the Company in the Shares of the Company as at the Latest Practicable Date are set out in Section 3 of this Appendix.

2.6.4 Effect of Rule 14 and Appendix 2 of the Takeover Code

In general terms, the effect of Rule 14 and Appendix 2 of the Takeover Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares:

- (a) the voting rights of such Directors and persons acting in concert with them would increase to 30% or more; or
- (b) in the event that such Directors and persons acting in concert with them hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and persons acting in concert with them would increase by more than 1% in any period of six (6) months.

Under Appendix 2 of the Takeover Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares:

- (i) the voting rights of such Shareholder would increase to 30% or more; or
- (ii) if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months.

Such Shareholder need not abstain from voting in respect of the ordinary resolution authorising the Share Buy Back Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Takeover Code as a result of any purchase or acquisition of Shares by the Company should consult their professional advisers and/or SIC and/or other relevant authorities at the earliest opportunity.

2.6.5 Application of the Takeover Code

As at the Latest Practicable Date, the details of the shareholdings of the Substantial Shareholders and Directors of the Company are set out in paragraph 3 below.

As at the Latest Practicable Date, SQG holds 154,620,000 Shares in the Company representing 38.77% of the total number of issued Shares (excluding Treasury Shares) of the Company. Mr. Charles Choi Spackman, the Executive Chairman of the Company, is a director of SQG. As such, Mr. Charles Choi Spackman is presumed to be acting in concert with SQG pursuant to Appendix 2 of the Takeover Code.

Assuming that there is no change in the number of Shares held or deemed to be held by SQG, Mr. Charles Choi Spackman and their concert parties (collectively the "**Relevant Parties**"), the purchase or acquisition by the Company of the maximum limit of 10% of the issued and paid-up share capital of the Company will result in an increase in the aggregate shareholding interest of the Relevant Parties by more than 1% in any period of six (6) months. Accordingly, the Relevant Parties will be required to make a general offer under Rule 14 of the Takeover Code.

2.6.6 Conditions for exemption from having to make a general offer under Rule 14 of the Takeover Code

Pursuant to Section 3(a) of Appendix 2 of the Takeover Code, the Relevant Parties will be exempted from the requirement to make a general offer under Rule 14 of the Takeover Code as a result of any share buy-back carried out by the Company pursuant to the Share Buy Back Mandate, subject to the following conditions:

- (a) the circular to Shareholders seeking their approval for the Share Buy Back Mandate will contain:
 - (i) advice to the effect that by voting in favour of the resolution to approve the Share Buy Back Mandate, Shareholders are waiving their rights to a general offer at the required price from the Relevant Parties; and
 - (ii) the names and voting rights of the Relevant Parties as at the date of the resolution and after the Company exercises the power under the Share Buy Back Mandate in full and purchases 10% of the issued Shares;
- (b) the resolution to authorise the Share Buy Back Mandate is approved by a majority of Shareholders who are present and voting at the AGM on a poll who could not become obliged to make an offer as a result of the share buy-back by the Company pursuant to the Share Buy Back Mandate;
- (c) the Relevant Parties will abstain from voting for and/or recommending Shareholders to vote in favour of the resolution to approve the Share Buy Back Mandate;
- (d) within seven (7) days after the passing of the resolution to approve the Share Buy Back Mandate, Mr. Charles Choi Spackman submits to the SIC a duly signed form as prescribed by the SIC;
- (e) the Relevant Parties have not acquired and will not acquire any Shares between the date on which they know that the announcement of the Share Buy Back Mandate is imminent and the earlier of:
 - (i) the date on which the authority of the Share Buy Back Mandate expires; and
 - (ii) the date on which the Company announces it has bought back such number of Shares as authorised by the Share Buy Back Mandate or it has decided to cease buying back its Shares, as the case may be,

if any such acquisitions, taken together with the Shares purchased or acquired under the Share Buy Back Mandate, would cause their aggregate voting rights to increase by more than 1% in the preceding six (6) months.

As such, if the aggregate voting rights held by the Relevant Parties increase by more than 1% solely as a result of the Company's buy back of Shares under the Share Buy Back Mandate, and none of them has acquired any Shares during the relevant six (6) month period, then the Relevant Parties would be eligible for SIC's exemption from the requirement to make a general offer under Rule 14 of the Takeover Code, or where such exemption had been granted, would continue to enjoy the exemption.

If the Company ceases to buy-back Shares pursuant to the Share Buy Back Mandate and the increase in the aggregate voting rights held by the Relevant Parties as a result of the relevant buy-back of Shares at such time is less than 1% in any six (6) month period, the Relevant Parties may acquire further voting rights in the Company. However, any increase in their percentage voting rights as a result of the buy-back of Shares pursuant to the Share Buy Back Mandate will be taken into account together with any voting rights acquired by the Relevant Parties by whatever means in determining whether they have increased their aggregate voting rights by more than 1% in any six (6) month period.

Form 2 submission to the SIC

Form 2 (Submission by directors and their concert parties pursuant to Appendix 2) is the prescribed form to be submitted to the SIC by a director and persons acting in concert with him pursuant to the conditions for exemption as set out in paragraph 2.6.6(d) above from the requirement to make a take-over offer under Rule 14 of the Takeover Code as a result of the buy-back of shares by a listed company under its Share Buy Back Mandate.

As at the Latest Practicable Date, Mr. Charles Choi Spackman has informed the Company that he will be submitting the Form 2 to the SIC within seven (7) days after the passing of the resolution relating to the adoption of the Share Buy Back Mandate.

2.6.7 Advice to Shareholders

Shareholders should note that by voting for the Share Buy Back Mandate, they are waiving their rights to a take-over offer at the required price from the Relevant Parties in the circumstances set out above. Such a take-over offer, if required to be made and had not been exempted by the SIC, would have to be made in cash or be accompanied by a cash alternative at the required price.

Save as disclosed, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Takeover Code would ensue as a result of a purchase of shares by the Company pursuant to the Share Buy Back Mandate.

Appendix 2 of the Takeover Code requires that the resolution to authorise the Share Buy Back Mandate to be approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer under the Takeover Code as a result of the share buy-back. Accordingly, the said resolution is proposed to be taken on a poll and the Relevant Parties shall abstain from voting on such resolution.

2.7 Financial Impact

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Buy Back Mandate on the financial effects as it would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. The financial effects presented in this Section of this letter are based on the assumptions set out below:

(a) Information as at the Latest Practicable Date

As at the Latest Practicable Date, the Company has 398,770,209 issued Shares.

(b) Illustrative Financial Effects

Purely for illustrative purposes, on the basis of 398,770,209 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as Treasury Shares on or prior to the AGM, the purchase by the Company of 10% of its issued Shares will result in the purchase of 39,877,020 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 39,877,020 Shares at the Maximum Price of S\$0.122 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 39,877,020 Shares is approximately S\$4.9 million (or US\$3.7 million as translated based on the exchange rate of US\$1 to S\$1.324 as at 31 December 2014).

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 39,877,020 Shares at the Maximum Price of S\$0.140 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 39,877,020 Shares is approximately S\$5.6 million (or US\$4.2 million as translated based on the exchange rate of US\$1 to S\$1.324 as at 31 December 2014).

For illustrative purposes only and on the basis of the assumptions set out above and assuming that the buy-back will be funded by the Company solely from its internal funds, the financial effects of:

- (i) the acquisition of 10% of the issued shares of the Company by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Buy Back Mandate by way of purchases made entirely out of capital and held as treasury shares ("**Scenario A**"); and
- (ii) the acquisition of 10% of the issued shares of the Company by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Buy Back Mandate by way of purchases made entirely out of capital and cancelled ("**Scenario B**"),

on the audited consolidated financial results of the Group for FY2014, are set out below:

Scenario A

(US\$'000)	Group As at 31 December 2014 Before	After Market Purchase	After Off-Market Purchase
Share Capital and Reserves	16,180	16,180	16,180
Treasury Shares	–	(3,676)	(4,230)
Total Shareholders' Equity	16,180	12,504	11,950
NTA	9,552	5,876	5,322
Current Assets	25,600	21,925	21,370
Current Liabilities	14,498	14,498	14,498
Working Capital	11,102	7,427	6,872
Total Borrowings	1,237	1,237	1,237
Loss attributable to equity holders of the Company	(7,981)	(7,981)	(7,981)
Number of shares	398,770,209	358,893,189	358,893,189
Financial Ratios			
NTA per share (US cents)	2.40	1.64	1.48
Gearing (times)	0.08	0.10	0.10
Current Ratio (times)	1.77	1.51	1.47
Basic LPS (US cents)	(2.00)	(2.22)	(2.22)

Scenario B

(US\$'000)	Group As at 31 December 2014 Before	After Market Purchase	After Off-Market Purchase
Share Capital and Reserves	16,180	12,504	11,950
Treasury Shares	–	–	–
Total Shareholders' Equity	16,180	12,504	11,950
NTA	9,552	5,876	5,322
Current Assets	25,600	21,925	21,370
Current Liabilities	14,498	14,498	14,498
Working Capital	11,102	7,427	6,872
Total Borrowings	1,237	1,237	1,237
Loss attributable to equity holders of the Company	(7,981)	(7,981)	(7,981)
Number of shares	398,770,209	358,893,189	358,893,189
Financial Ratios			
NTA per share (US cents)	2.40	1.64	1.48
Gearing (times)	0.08	0.10	0.10
Current Ratio (times)	1.77	1.51	1.47
Basic LPS (US cents)	(2.00)	(2.22)	(2.22)

The actual impact will depend on the number and price of the Shares bought back. As stated, the Directors do not propose to exercise the Share Buy Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements and/or gearing of the Group. The purchase of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The proposed Share Buy Back Mandate will be exercised with a view to enhance the EPS and/or NAV per Share of the Group.

Shareholders should note that the financial effects illustrated above, based on the respective aforesaid assumptions, are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited accounts of the Group for FY2014, and is not necessarily representative of the future financial performance of the Group.

It should be noted that although the Share Buy Back Mandate would authorise the Company to purchase or otherwise acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or otherwise acquire the entire 10% of the issued Shares. In addition, the Company may cancel, or hold as Treasury Shares, all or part of the Shares purchased or otherwise acquired. The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

2.8 Taxation

Pursuant to Section 10J of the Income Tax Act, Chapter 134 of Singapore, where a company buys back its own shares and makes payment out of its contributed capital, it will not be regarded as a payment of dividend. Where a company buys back its own shares using its distributable profits, it is deemed as having paid a dividend to the shareholders from whom the shares are purchased or acquired.

Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisors.

2.9 Interested Persons

The Company is prohibited from knowingly buying Shares on Catalist from an interested person, that is, a Director, the chief executive officer of the Company or Controlling Shareholder of the Company or any of their Associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

2.10 Reporting Requirements under the Companies Act

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA. Within 30 days of a purchase of Shares on Catalist or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including, *inter alia*, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

2.11 Catalist Rules

- 2.11.1 As at the Latest Practicable Date, approximately 42.30% of the issued share capital of the Company are held in the hands of the public. Assuming that the Company repurchased the maximum of 10% of its issued share capital as at the Latest Practicable Date from members of the public by way of a Market Purchase, the percentage of Shares held by the public would be approximately 35.89%.

Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% limit pursuant to the Share Buy Back Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to adversely affect the orderly trading of Shares.

The Directors will use their best efforts to ensure that the Company does not effect buy back of Shares if the buy-back of Shares would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company or adversely affect the orderly trading of the Shares.

- 2.11.2 Under the Catalist Rules, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term average closing market price is defined as the average of the closing market prices of Shares over the last five (5) market days, on which transactions in the Shares were recorded, before the day on which purchases are made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.3.4 of this Appendix, conforms to this restriction.

Additionally, the Catalist Rules also specifies that a listed company shall report all purchases or acquisitions of its Shares to the SGX-ST not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its Shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement shall include, *inter alia*, details of the total number of Shares authorised for purchase, the date of purchase, the total number of Shares purchased, the purchase price per Share or (in the case of Market Purchases) the purchase price per Share or the highest price and lowest price per Share, the total consideration paid for the Shares and the number of issued Shares after purchase, in the form prescribed under the Catalist Rules.

While the Catalist Rules does not expressly prohibit any purchase of Shares by a listed company during any particular time, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued Shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buy Back Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. Further, in conformity with the best practices on dealing with securities under the Catalist Rules, the Company will not purchase or

acquire any Shares through Market Purchases during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month immediately preceding the announcement of the Company's full year financial statements.

2.12 Details of the Shares Bought by the Company in the Previous 12 Months

No purchases of Shares have been made by the Company in the 12 months preceding the Latest Practicable Date.

3. INTERESTS OF THE DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date are set out below:

	Before the Share Buy-Back		After the Share Buy-Back	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾
Directors				
Charles Choi Spackman	—	—	—	—
Tae Hun Lee	28,360,000	7.11	28,360,000	7.90
Yoo Jin Lee	23,160,000	5.81	23,160,000	6.45
Thong Yuen Siew Jessie	—	—	—	—
Anthony Wei Kit Wong	—	—	—	—
Ng Hong Whee	—	—	—	—
Substantial Shareholder (other than Directors)				
SQG	154,620,000	38.77	154,620,000	43.08
Havenport Asset Management Pte. Ltd. ⁽³⁾	20,475,000	5.13	20,475,000	5.71
Tan Keng Sin Patrick ⁽⁴⁾	20,475,000	5.13	20,475,000	5.71
Tern Yuh Sheng Joseph ⁽⁴⁾	20,475,000	5.13	20,475,000	5.71

Notes:

- (1) The percentage is calculated based on issued number of Shares of the Company of 398,770,209 Shares as at the Latest Practicable Date.
- (2) Assuming the Company purchases or acquires the maximum number of Shares pursuant to the proposed Share Buy Back Mandate, the percentage after the Share buy-back is calculated based on 358,893,189 Shares.
- (3) Havenport Asset Management Pte. Ltd. ("**Havenport**") is an investment manager and it is deemed to have an interest in the shares of the Company held in aggregate by its client accounts.
- (4) Tan Keng Sin Patrick and Tern Yuh Sheng Joseph each holds more than 20% of the total number of issued shares in Havenport. As such, they are each deemed to have an interest in the shares of the Company held in aggregate by client accounts managed by Havenport.

Neither the Directors nor the Controlling Shareholders of the Company (other than in his capacity as a Director or Shareholder of the Company) has any interest, direct or indirect in the proposed Share Buy Back Mandate.

4. DIRECTORS' RECOMMENDATION

The Directors, save for Mr. Charles Choi Spackman, being the director of SQG, who has abstained from making any recommendation to Shareholders pursuant to the conditions for exemption under Appendix 2 of the Takeover Code (as set out in paragraph 2.6.6(c) above), having carefully considered the terms and rationale of the proposed Share Buy Back Mandate, are of the opinion that the proposed Share Buy Back Mandate is in the best interest of the Company and they recommend that Shareholders vote in favour of the proposed Share Buy Back Mandate.

5. ANNUAL GENERAL MEETING

The AGM, notice of which is set out on pages 107 to 113 of the Annual Report, will be held at Orchid Country Club, 1 Orchid Club Road, Sapphire I, Level 2, Singapore 769162 on Tuesday, 21 April 2015 at 10.00 a.m for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolution set out in the notice of AGM.

6. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote at the AGM on their behalf must complete, sign and return the Proxy Form attached to the notice of AGM in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company's share registrar, Tricor Barbinder Share Registration Services, either by hand at 80 Robinson Road, #11-02 Singapore 068898 or by post at 80 Robinson Road, #02-00 Singapore 068898, not less than forty-eight (48) hours before the time fixed for the AGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the AGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

A Depositor shall not be regarded as a Shareholder of the Company and not entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register and/or the Register of Members at least 48 hours before the AGM.

The Relevant Parties will abstain from voting at the AGM in respect of the resolution relating to the Share Buy Back Mandate pursuant to the conditions under Appendix 2 of the Takeover Code as set out in paragraph 2.6.6(c). Furthermore, such persons shall not act as proxies in relation to such resolution unless specific voting instructions have been given.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed Share Buy Back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts or the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

8. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 16 Collyer Quay, #17-00, Singapore 049318 during normal business hours from the date of this Appendix up to the date of the AGM:

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the Annual Report 2014.

Yours faithfully

For and on behalf of the Board of Directors

Spackman Entertainment Group Limited

Charles Choi Spackman
Executive Chairman