

spackmanentertainmentgroup

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

PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN GREENLIGHT CONTENT LIMITED

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 19 October 2018 entered into a sale and purchase agreement (the “**SPA**”) with four independent third parties (the “**Vendors**”) to acquire the entire issued and paid-up share capital of the Greenlight Content Limited (the “**Target Company**” or “**Greenlight Content**”) (the “**Proposed Acquisition**”). The Vendors of Greenlight Content (and if such Vendor is a corporate, its directors and substantial shareholders) are not associates of, or related to, the Company’s directors and controlling shareholder and each other.

Upon completion of the Proposed Acquisition, Greenlight Content will become a direct wholly-owned subsidiary of the Company.

2. INFORMATION ON THE TARGET COMPANY

Greenlight Content, a company incorporated in the Cayman Islands on 9 April 2018, owns 100% of Greenlight Content Co., Ltd. which is incorporated in the Republic of Korea on 7 April 2017. The Target Company is headed by Mr. John Ko (“**Mr. Ko**”), one of the Vendors and the Chief Executive Officer of Greenlight Content Co., Ltd. Mr. Ko is a 20-year veteran in the media and technology industry. His current and previous clients include Sidus Pictures, a film production and distribution company based in Korea, and Mongjakso Co. Ltd., a Korean producer of TV dramas. Some of the hit Korean dramas/films which Mr. Ko were involved in include *ONCE UPON A TIME IN HIGH SCHOOL* (2004), which was nominated for Best Film at the 2004 Blue Dragon Film Awards and 2004 Korean Film Awards, *A MOMENT TO REMEMBER* (2004) starring iconic Korean actress Son Ye-jin of the Group’s associated company, Spackman Media Group Limited (“**SMGL**”), and more recently, *TERIUS BEHIND ME* (2018) headlined by leading Korean actor So Ji Sub of SMGL.

Greenlight Content is primarily involved in the business of investing into dramas and movies, as well as providing consulting services for production Korean content. Greenlight Content is one of the main investors of the Group’s first co-produced drama, *TERIUS BEHIND ME*, a romantic comedy mystery story featuring top tier Korean actor So Ji Sub of SMGL and popular Korean actress Jung In-sun. According

to Nielsen Korea, the hit TV drama scored high premiere viewership ratings of 7.5%, 8.7%, 7.2% and 7.4% for the first four episodes released on the day of its premiere.

Greenlight Content is an early investor in upcoming film *NAMSAM, POET MURDER* starring Kim Sang-kyung and Park Sun-young. The film centers around the investigation of the murder of a poet in Namsan in 1953 after the Korean War.

Greenlight Content also has the following pipeline of film/drama under development, namely *FOUR SEASON* (TV Drama), *GOLDEN AGE* (Film) and *INVENTION EAR* (Film).

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Group's stated strategy of expanding its business scope to the production of TV dramas as well as participating into high quality content projects in Korea. The Group believes that Greenlight Content can accelerate the Group's access into these top-tier projects and reinforce the Group's foothold in the Korean drama sector which the Group has already launched entry into, starting with its first co-production of *TERIUS BEHIND ME*. The Group is of the view that it is able to acquire Greenlight Content at a reasonable valuation that is expected to be accretive to the Group's future earnings.

Greenlight Content's unique strength as a consultant in film/drama investment and production shall help the Group better coordinate potential pairing of new content projects with the talent management platform of SMGL.

As such, the Group views that Greenlight Content is well-positioned to raise the utilization rate of SMGL as the Group continues to leverage on SMGL to participate into top quality entertainment content projects.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Consideration

The total purchase consideration payable by the Company to the Vendors is US\$5.0 million (approximately S\$6.9 million¹) ("**Consideration**") which shall be satisfied by the issuance and allotment of 150,000,000 newly issued ordinary shares of the Company at S\$0.046 per share (the "**Issue Price**") (the "**Consideration Shares**").

The Consideration was arrived at following arm's length negotiations on a willing buyer, willing seller basis, as well as reviewing the average of the Group's past one month's volume weighted average price of approximately US\$0.043, and taking into account, *inter alia*, the Target Company's unaudited net profit of US\$938,916 (approximately S\$1.3 million¹) for the period from 1 January 2018 to 30 September 2018 and the unaudited net asset and net tangible asset value of US\$1.3 million (approximately S\$1.9 million¹) and US\$1.0 million (approximately S\$1.4 million¹) as at 30 September 2018.

¹ Exchange Rate of 1 USD: 1.38 SGD

The Issue Price represents a premium of 15.3% to the volume weighted average price of S\$0.0399 for each share, based on the trades done on the Shares on the Catalist of the SGX-ST on 18 October 2018, being the market day prior to the date of the Agreement.

4.2 Terms of Payment of the Consideration

The Company shall, upon satisfaction of the conditions precedent as set out in Article 4 of the Agreement and receipt of physical certificate(s) representing the Sale Shares, transfer 150,000,000 newly issued ordinary shares of the Company to the Vendors. The Consideration Shares will be issued and allotted to the Vendors in the same proportion as their respective percentage shareholding interests in Greenlight Content.

4.3 Conditions Precedent

Completion of the Proposed Acquisition ("**Completion**") is subject to the conditions precedent which includes the veracity of warranty, completion of the Company's due diligence exercise including the valuation of the Target Company, regulatory approvals, consents of the Board of Directors of the Target Company and the Company.

4.4 Completion Date

Completion shall take place on the date on which all the conditions precedent have been fulfilled and the purchase consideration has been fully satisfied.

5. CONSIDERATION SHARES

The Consideration Shares will be issued pursuant to the general mandate given by the shareholders of the Company at the annual general meeting of the Company held on 26 April 2018 ("**2018 AGM**") for the Company to issue shares and convertible securities ("**General Mandate**"). Under the General Mandate, the Board is authorised to issue new shares in the capital of the Company ("**Shares**") not exceeding one hundred per cent (100%) of the total number of Shares (excluding treasury shares) as at the date of the 2018 AGM, of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders must not be more than fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) as at the date of the 2018 AGM.

The New SEGL Shares, when allotted and issued in full, will represent approximately 21.66% of the issued share capital of the Company as at 26 April 2018, being 692,673,709 shares, and about 17.80% of the enlarged issued and paid-up share capital of the Company upon completion of the SPA. As 101,607,865 shares, in relation to the May 2018 SMGL Acquisition as announced on 22 May 2018), and 94,634,034 shares, in relation to the August 2018 SMGL Acquisition as announced on 6 August 2018, were previously issued under the General Mandate prior to the SPA, the maximum number of shares to be issued other than on a pro-

rata basis is 150,094,955 shares. The proposed allotment and issuance of 150,000,000 New SEGL Shares will fall within the limits of the General Mandate.

The New SEGL Shares shall be issued free from all claims, pledges, mortgages, charges, liens and encumbrances and shall rank in all respects pari passu with the then existing issued ordinary shares in the capital of the Company at the time of the issue except that the New SEGL Shares will not rank for any dividends, rights, allotments or other distributions the record date for which falls on or before the date of the issue of the New SEGL Shares.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 The financial effects of the Proposed Acquisition on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Acquisition. The financial effects of the Proposed Acquisition set out below have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017.

6.1.1 Earnings per share (“EPS”)

FY2017

Assuming that the Proposed Acquisition had been completed at the beginning of FY2017, the effect of the Proposed Acquisition on the Group’s EPS for FY2017 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to shareholders of the Company (US\$'000)	2,976	3,915
Weighted average number of ordinary shares in issue	692,673,709	842,673,709
EPS (US cents)	0.430	0.465

6.1.2 Net tangible assets (“NTA”)

FY2017

Assuming that the Proposed Acquisition had been completed at the end of FY2017, the effect of the Proposed Acquisition on the Group’s NTA per Share as at 31 December 2017 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA as at 31 December 2017 (US\$)	21,587,585	22,593,169
NTA per Share (US\$)	0.031	0.027
Number of Shares at the end of FY2017	692,673,709	842,673,709

7 RELATIVE FIGURES UNDER CATALIST RULE 1006

The relative figures computed on the relevant bases set out in Rule 1006 of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual: Section B: Rules of Catalist (the “Catalist Rules”) in respect of the Proposed Acquisition and based on the audited consolidated financial statements of the Group for six months ended 30 June 2018 (“6M 2018”) are as follows:

Rule 1006	Base	Relative figure
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable
(b)	The net profit ⁽¹⁾ attributable to the assets acquired, compared with the Group's net profits ⁽¹⁾ .	-66.97% ⁽²⁾
(c)	The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	33.92% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	16.91% ⁽⁴⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

(1) “net profits or loss” means the profit or loss (as the case may be) before income tax, minority interests and extraordinary items.

(2) Computed based on the net profits attributable to the Sale Shares of US\$613,448 for the period from 1 January 2018 to 30 June 2018 and the net loss of the Group of US\$916,000 for 6M 2018.

(3) The Consideration is computed based on the Group's net asset value per Share of US\$0.058 (equivalent to S\$0.080¹) as at 31 December 2017, which is higher than the volume weighted average price of the Shares of S\$0.0399 ("VWAP") on 18 October 2018, being the last market day preceding the date of the SPA, on the 150,000,000 Consideration Shares. The Company's market capitalisation of S\$35.4 million was computed based on the VWAP and 887,165,608 Shares (excluding treasury shares) as at the date of this announcement.

(4) Based on 150,000,000 Consideration Shares and 887,165,608 Shares (excluding treasury shares) as at the date of this announcement.

As the relative figures computed on the bases set out in Catalist Rules 1006(b), (c) and (d) above exceed 5.0% but are less than 75.0%, the Proposed Acquisition constitutes a discloseable transaction under Chapter 10 of the Catalist Rules.

8 NO CHANGE IN CONTROL

The issuance and allotment of the 150,000,000 New SEGL Shares will not result in any transfer of controlling interest in the Company, as Spackman Equities Group Inc. will remain as the sole controlling shareholder of the Company after the completion of the proposed acquisition of the Sale Shares.

9 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 Proposed Acquisition (other than through their shareholdings in the Company, if any). None of the Directors, controlling shareholders of the Company, or their associates are related to the Vendors.

10 ADDITIONAL LISTING APPLICATION

The sponsor of the Company, RHT Capital Pte. Ltd., will be making an application on behalf of the Company to the SGX-ST for the admission of the Consideration Shares to Catalist of the SGX-ST and for the listing and quotation of the Consideration Shares on Catalist of the SGX-ST. The Company will make the necessary announcements once the approval-in-principle for the listing and quotation of the Consideration Shares has been obtained from the SGX-ST.

11 DIRECTORS' SERVICE CONTRACTS

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

12 DOCUMENT FOR INSPECTION

A copy of the SPA 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 completion of the Proposed Acquisition.

BY ORDER OF THE BOARD

Richard Lee

Executive Director & Interim Chief Executive Officer

19 October 2018

This announcement has been prepared by the Company and its contents have been reviewed by the RHT Capital Pte. Ltd. ("Sponsor") for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst. 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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