

spackmanentertainmentgroup

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

PROPOSED DISPOSAL OF 51.36% INTEREST IN INDIRECT SUBSIDIARY UAA KOREA CO., LTD. ("UAA")

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 wholly-owned subsidiary of the Company, Spackman Entertainment Group (HK) Limited ("**Vendor**"), has on 30 December 2015 entered into a sale and purchase agreement (the "**Agreement**") with Spackman Media Group Limited ("**Purchaser**") for the sale of its 12,181 common voting shares of UAA ("**Sale Shares**"), representing 51.36% equity interest in UAA (the "**Proposed Disposal**"). Upon completion of the Proposed Disposal, UAA will cease to be a subsidiary of the Company and the Company will hold 0.14% equity interest in UAA through its indirect subsidiary, Opus Pictures Limited Liability Company.

2. INFORMATION ON UAA

UAA was incorporated in the Republic of Korea on 18 June 2012. It is primarily engaged in the business of talent management in Korea.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal will allow the Company to dispose of a loss making asset for a cash consideration of US\$2,112,000 (equivalent to approximately S\$2.98 million based on the exchange rate of US\$1:S\$1.4145 as at the date of this announcement), which would further strengthen its financial position. The proceeds from the Proposed Disposal will be used for working capital purposes for the Group's core theatrical film business.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1 Consideration

The total purchase consideration of US\$2,112,000 (approximately S\$2.98 million) will be fully paid in cash ("**Consideration**") by the Purchaser. There is no gain or loss on the Proposed Disposal as the Consideration is equivalent to the Company's initial cost of investment into UAA.

The Consideration was arrived at following arm's length negotiations on a willing buyer, willing seller basis, and taking into account, *inter alia*, the unaudited loss before tax of UAA of US\$0.06 million (approximately S\$0.08 million) for the nine-month financial period ended 30 September 2015 ("**9M 2015**") and the unaudited net asset value of UAA of US\$2.20 million (approximately S\$3.09 million) as at 30 September 2015.

The Consideration will be paid in two tranches, whereby 5% of the Consideration will be payable on the date of the Agreement and the remaining 95% will be paid upon satisfaction of all the conditions precedent.

4.2 Conditions Precedent

Pursuant to the terms of the Agreement, the Proposed Disposal is conditional upon, *inter alia*, the following:

- 4.2.1 The warranties given by the Purchaser and the Vendor (collectively, the "**Parties**") having been true when made and being true in all respects as if all of the same were made at and then renewed/repeated as of the closing;
- 4.2.2 The completion of the Purchaser's due diligence exercise (including legal, accounting, financial and tax due diligence) to be performed on UAA to the satisfaction of the Purchaser;
- 4.2.3 The completion of the acquisition of the entire issued shares of Spackman Media Group Pte. Ltd., an associated company of the Company, by the Purchaser;
- 4.2.4 All necessary regulatory approvals and consents in the Parties' respective jurisdictions having been obtained; and
- 4.2.5 No significant changes to UAA's current business after the date of the Agreement.

4.3 Completion Date

Completion shall take place on the date on which all the conditions precedent have been fulfilled and the Consideration has been fully satisfied, which shall be no later than 30 June 2016, unless otherwise agreed by the Parties in writing.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

- 5.1 The financial effects of the Proposed Disposal 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 Disposal. The financial effects of the Proposed Disposal set out below have been prepared based on (i) the audited consolidated financial statements of the Group for the financial year ended 31 December 2014, and (ii) the Group's unaudited financial statements for 9M 2015.

5.1.1 Loss per share ("LPS")

FY2014

Assuming that the Proposed Disposal had been completed at the beginning of FY2014, the effect of the Proposed Disposal on the Group's LPS for FY2014 will be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to shareholders of the Company (US\$'000)	(7,981)	(7,981) ⁽¹⁾
Weighted average number of ordinary shares in issue ⁽²⁾	395,310,000	395,310,000
LPS (US cents)	(2.02)	(2.02)

Notes:

- (1) Loss attributable to shareholders of the Company is the same as UAA was acquired by the Group on 31 December 2014. As such, the profits attributable to UAA was not included in the Group's loss attributable to shareholders of the Company in FY2014.
- (2) Assuming that the Company's IPO had taken place on 10 January 2014 (i.e. the Company's date of incorporation).

9M 2015

Assuming that the Proposed Disposal had been completed at the beginning of 9M 2015, the effect of the Proposed Disposal on the Group's LPS for 9M 2015 will be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to shareholders of the Company (US\$'000)	(3,802)	(3,719)
Weighted average number of ordinary shares in issue	398,668,438	398,668,438
LPS (US cents)	(0.95)	(0.93)

5.1.2 Net tangible assets ("NTA")

FY2014

Assuming that the Proposed Disposal had been completed at the end of FY2014, the effect of the Proposed Disposal on the Group's NTA as at 31 December 2014 will be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA attributable to the shareholders of the Company (US\$'000) ⁽¹⁾	9,552	13,138
Number of ordinary shares in issue	395,310,000	395,310,000
NTA per share (US cents)	2.42	3.32
Adjusted NTA attributable to the shareholders of the Company (US\$'000) ⁽²⁾	12,663	16,136
Adjusted NTA per Share (US cents)	3.20	4.08

Notes:

- (1) Computed based on the Group's net assets less non-controlling interests and intangible assets, which includes film production inventories of US\$3.1 million.
- (2) Computed based on the Group's net assets less non-controlling interests and intangible assets but excludes film production inventories of US\$3.1 million.

9M 2015

Assuming that the Proposed Disposal had been completed at the end of 9M 2015, the effect of the Proposed Disposal on the Group's NTA as at 30 September 2015 will be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA attributable to the shareholders of the Company (US\$'000) ⁽¹⁾	(1,429)	2,020
Number of ordinary shares in issue	398,770,209	398,770,209
NTA per share (US cents)	(0.36)	0.50
Adjusted NTA attributable to the shareholders of the Company (US\$'000) ⁽²⁾	8,344	11,689
Adjusted NTA per Share (US cents)	2.09	2.93

Notes:

- (1) Computed based on the Group's net assets less non-controlling interests and intangible assets, which includes film production inventories of US\$9.8 million.
- (2) Computed based on the Group's net assets less non-controlling interests and intangible assets but excludes film production inventories of US\$9.8 million.

6. 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 Disposal and based on the unaudited financial statements of the Group for 9M 2015 are as follows:

Rule 1006	Base	Relative figure
(a)	The net asset value of the Company’s 51.36% stake in UAA to be disposed of, compared with the Group’s net asset value.	8.1% ⁽¹⁾
(b)	The net loss attributable to the Company’s 51.36% stake in UAA to be disposed of, compared with the Group’s net loss.	0.7% ⁽²⁾
(c)	The aggregate value of the consideration received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares.	5.0% ⁽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.	Not applicable
(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.	Not applicable

Notes:

- (1) The net asset value of (i) the Company’s 51.36% stake in UAA and (ii) the Group (based on the unaudited financial statements of the Group for 9M 2015) as at 30 September 2015 was US\$1.13 million and US\$13.95 million respectively.
- (2) The unaudited loss before income tax, non-controlling interests and extraordinary items attributable to (i) the Company’s 51.36% stake in UAA and (ii) the Group (based on the unaudited financial statements of the Group for 9M2015) for 9M 2015 was US\$0.03 million and US\$4.01 million respectively.
- (3) The Consideration for the Proposed Disposal is US\$2.11 million (approximately S\$2.98 million based on the exchange rate of US\$1: S\$1.4145 on 30 December 2015) to be paid in cash. The Company’s market capitalisation of approximately S\$59.98 million is computed based on the volume weighted average price of S\$0.1504 on 29 December 2015 (being the last full market day preceding the date of the Agreement) and the Company’s share capital of 398,770,209 ordinary shares).

As the relative figure computed on the bases set out in Catalist Rules 1006(a) above exceed 5.0% but is less than 50%, the Proposed Disposal constitutes a discloseable transaction under Chapter 10 of the Catalist Rules.

7. 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 Disposal (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 Purchaser.

8. DIRECTORS' SERVICE CONTRACTS

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

9. 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 completion of the Proposed Disposal.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman
30 December 2015

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 Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

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

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.