



Our Ref: REG/LC/GT/SH/NOC2020090002

3 September 2020

The Board of Directors

Spackman Entertainment Group Limited
16 Collyer Quay
#17-00
Singapore 049318

Dear Sirs,

NOTICE OF COMPLIANCE (THE "NOTICE")

**SPACKMAN ENTERTAINMENT GROUP LIMITED
("SEGL" OR THE "COMPANY", TOGETHER WITH ITS SUBSIDIARIES, THE "GROUP")**

1. Singapore Exchange Regulation ("**SGX RegCo**" or the "**Exchange**") refers to the Company's following SGXNet announcements:
 - (a) Dated 2 March 2017 (Announcement Reference No: SG170302OTHRQTO3) titled "*Share Sale and Purchase Agreement between SEGL and certain existing shareholders of SMGL*";
 - (b) Dated 11 Oct 2017 (Announcement Reference No: SG171011OTHR6FR) titled "*Share Sale and Purchase Agreement between SEGL and certain existing shareholders of SMGL*";
 - (c) Dated 22 Dec 2017 (Announcement Reference No: SG171222OTHRERJ1) titled "*Share Swap Agreement between SEGL and certain existing shareholder of associated company, SMGL*";
 - (d) Dated 22 May 2018 (Announcement Reference No: SG180522OTHR8JS8) titled "*Share SPA between SEGL and certain existing shareholders of associated company, SMGL*";
 - (e) Dated 6 June 2018 (Announcement Reference No: SG180606OTHRFW10) titled "*Response to SGX Queries*";
 - (f) Dated 6 August 2018 (Announcement Reference No: SG180806OTHRBAA7) titled "*Share SPA between SEGL and certain existing shareholders of associated company, SMGL*";
 - (g) Dated 23 August 2018 (Announcement Reference No: SG180823OTHR7HHX) titled "*Response to SGX Queries*";

Singapore Exchange Regulation Pte. Ltd.
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(A wholly-owned subsidiary of Singapore Exchange Limited)

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- (h) Dated 29 August 2018 (Announcement Reference No: SG180823OTHR7HHX) titled “Response to SGX Queries”;
- (i) Dated 18 August 2020 (Announcement Reference No: SG200818OTHRH5C1) titled “Entry into Non-Binding Memorandum of Understanding in relation to the Proposed Divestment”; and
- (j) Dated 21 August 2020 (Announcement Reference Ni: SG200821OTHRCVII) titled “Response to SGX Queries”.

(collectively, the “Announcements”).

2. Acquisition of interest in SMGL (the “Past Acquisitions”)

2.1 On 1 March 2017, the Company entered into a share sale and purchase agreement (“SPA”) with certain existing shareholders of the Company’s 24.53% owned associated company, Spackman Media Group Limited (“SMGL”). Under the SPA, the Company purchased 1 million common voting shares of SMGL at US\$3 per SMGL share, which increased the Company’s shareholding interest in SMGL from 24.53% to 27.80%.

Subsequently, the Company entered into four more SPAs on 11 Oct 2017, 22 December 2017, 22 May 2018 and 6 August 2018 (each a “SPA”, and collectively with the SPA announced on 1 March 2017, the “SPAs”) to purchase a total of 5,465,288 SMGL shares at US\$3 each, which further increased the Company’s shareholding interest in SMGL to 43.88%.

2.2 In response to SGX RegCo’s queries on the Past Acquisitions, the Company explained that, *inter alia*:

- (i) The SPAs were part of a restructuring exercise in connection with a proposed listing of SMGL on Hong Kong Stock Exchange; and
- (ii) The shareholding interest in SMGL was acquired at a significant premium to SMGL’s NTA and NAV, based on a professional valuation and the Group believed that the acquisitions were earnings accretive to the Group given that it is increasing its stake in a profitable company that also has the potential to grow significantly in value.

2.3 In the announcements on the Past Acquisitions and in response to SGX RegCo’s queries, the Company had confirmed that none of the directors or the controlling shareholders of the Company has any direct or indirect interest in the Past Acquisitions, nor are they related to the vendors of the Past Acquisitions (the “Vendors”).

3. Proposed Divestment of shareholding interest in SMGL

- 3.1 On 18 August 2020, the Company entered into a non-binding memorandum of understanding (“MOU”) with its substantial shareholder, Spackman Equities Group Inc (“**SQG**” a company listed on the TSX Venture Exchange in Canada), pursuant to which the Company intends to sell its entire 43.88% interest in SMGL to SQG (the “**Proposed Divestment**”). The consideration shall be fully satisfied by shares of SQG.
- 3.2 The consideration of S\$2.30 per SMGL share (“Disposal Consideration”) for the Proposed Divestment is the floor price which the Board had set, after taking into account the most recent significant transaction of SMGL shares in January 2020 between independent third parties. The final consideration is subject to an independent valuation of SMGL, and will be further negotiated and discussed at arm’s length between both the parties before they enter into a definitive agreement.

4. Exchange’s Directives

- 4.1 Catalyst Rule 305(1) provides that the Exchange may exercise administrative powers for the purposes of ensuring that the market is fair, orderly and transparent. Catalyst Rule 305(1)(k) further provides that the Exchange may impose on an issuer and its directors any other requirements which it considers appropriate.
- 4.2 The common directors (past and current) in SEGL, SMGL and / or SQG (“Common Directors”) raises concerns on whether the Past Acquisitions and Proposed Divestment were entered into on normal commercial terms and in the interest of the Company and its shareholders. In addition, the Disposal Consideration is significantly lower as compared to the consideration paid for the Past Acquisitions.
- 4.3 In view of the Proposed Divestment, the Common Directors as well as the significantly lower Disposal Consideration as compared to the consideration paid for the Past Acquisitions, the Exchange directs that the following be undertaken in the interest of shareholders:
- (i) The Company’s Audit & Risk Management Committee (“ARMC”) to:
 - (a) perform a holistic review on the Past Acquisitions, including but not limited to, background checks on the Vendors and assessment of whether these transactions were entered into on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders (the “ARMC Review”);
 - (b) provide SGX RegCo with details of past due diligence performed on the Past Acquisitions and the Vendors; and

- (ii) The Company not to enter into a binding agreement in relation to the Proposed Divestment prior to completion of the ARMC Review, and SGX RegCo being satisfied with the findings of the review.

- 4.4 In the event SGX RegCo deems any or all of the Past Acquisitions to be interested person transactions (“IPTs”) under Chapter 9 of the Catalist Rules, SGX RegCo reserves the right to take further actions, including disciplinary actions against the Company and / or any Relevant Person(s). SGX RegCo will also scrutinize the Proposed Divestment to determine if it constitutes an IPT.

- 4.5 Please note that this Notice is an official notification to the Company with immediate effect.

- 4.6 Pursuant to Catalist Rule 305(4), failure to comply with the requirements SGX RegCo has imposed shall be deemed to be a contravention of the Catalist Rules.

- 4.7 Please note that compliance with this Notice does not constitute a waiver of any kind, and SGX RegCo reserves the right to take disciplinary action against the Company and/or any Relevant Person(s) for breaches of the Catalist Rules, including any failure to comply with the requirements SGX RegCo has imposed.

Yours faithfully,

June Sim
Senior Vice President
Head, Listing Compliance
Singapore Exchange Regulation

cc: Mr. Mah How Soon, RHT Capital Pte. Ltd.