

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 SIMPLEX FILMS LIMITED

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of Spackman Entertainment Group Limited (the “**Company**” or “**SEGL**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 13 July 2019 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 Simplex Films Limited (the “**Target Company**” or “**Simplex**”) (the “**Proposed Acquisition**”). The Vendors are Lim Ji Young, Oh Sangmin, Kang Hyunju and Nam Yu Ri, each holding 10.62%, 29.79%, 29.79% and 29.79% shareholding in Simplex respectively. The Vendors (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, Simplex will become a direct wholly-owned subsidiary of the Company.

2. INFORMATION ON THE TARGET COMPANY

The Target Company, a company incorporated in Hong Kong, owns 100% equity interest in Simplex Films Co., Ltd. which is founded on 9 May 2014 in the Republic of Korea. Simplex is an early stage film production firm headed by veteran Korean producer, Lim Ji Young. Simplex intends to produce top quality films to be theatrically released and distributed in Korea and overseas. Simplex shall first release its films initially in Korea and subsequently in post-theatrical markets such as cable television, broadcast television, IPTV, video-on-demand, and home video/DVD, etc.

The CEO of Simplex, Lim Ji Young, achieved the following accolades, namely, 2014 PGK (Producer Guild of Korea) Vice President, 2014 Winner for Best Female Producer of the 15th Annual Woman’s Film Awards, 2012 Grand Prize for Best Story for *DEMI HUMAN* from the Korean Creative Contents Agency and 2012 Grand Prize for Best Story for *DEMI HUMAN* from the Ministry of Culture, Sports and Tourism. She has produced the following Korean films: *FABRICATED CITY* (2017), *MISS GRANNY* (2014), *DERANGED* (2012), *INTO THE WHITE LIGHT* (2009), *ATTACK ON THE PIN-UP BOYS* (2007), *LOVELY RIVALS* (2004) and *SEDUCING MR. PERFECT* (2006). Notably, *MISS GRANNY* (2014) recorded total admissions of 8.6 million at the Korean box office.

Lim Ji Young's track record of film marketing include *SPOOK SCHOOL* (2000), *GHOST IN LOVE* (1999), *BEDROOM AND COURTROOM* (1998), *NO. 3* (1997), *KILL THE LOVE* (1996), *THEIR LAST LOVE AFFAIR* (1996), *A SINGLE SPARK* (1995), *MAN WAGGING TAIL* (1995) and *HOW TO TOP MY WIFE* (1994).

Simplex also has the following tentative pipeline of films, namely, *JESTERS: THE GAME CHANGERS* (2019), *A BOLT FROM THE BLUE*, *IRREVOCABLE PROMISE*, *OUR SUPERSTAR K*, *HAPPY MURDER*, *GIRL CRUSH* and *TEMPTATION*.

Distributed by Warner Bros. Korea, *JESTERS: THE GAME CHANGERS* (2019) is expected to be released in August this year at the Korean box office. The historical comedy film, starring Cho Jin-woong of *INTIMATE STRANGERS* (2018) and *THE SPY GONE NORTH* (2018) and Son Hyun-joo of *ORDINARY PERSON* (2017), is directed by Kim Joo-ho and is currently in the post-production stage. Kim Joo-ho was nominated for the Best New Director at the 49th DAEJONG Film Awards and the 33rd Blue Dragon Film Awards. Notably, he won the Orient Express Award at the 33rd Fantasporto - Oporto International Film Festival.

JESTERS: THE GAME CHANGERS (2019) relates the story of a 'gang of clowns' that manipulates rumors throughout the country and stirs the public. The 'gang of clowns' is discovered by Han Myung-hoe (played by Son Hyun-joo), the most powerful man in Joseon, and creates legendary stories about King Sejo (played by Park Hee-soon).

Directed by Kim Ji-mok, *A BOLT FROM THE BLUE* is a remake of a 2014 Japanese comedy drama and scheduled to start production in 2019.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Group believes that the Proposed Acquisition shall allow the Group to expand its film production capacity annually and enhance the performance of its motion picture production business segment. The Proposed Acquisition can also enable the Group to be better positioned to invest into Simplex's pipeline of quality films in terms of script and casting in order to seek higher returns as both a film producer and an investor.

The Proposed Acquisition is in line with the Group's strategy of aggressively looking out for acquisitions that can add accretive value to the Group's existing film production business. The Group views that Simplex is equipped with the capability to produce top quality films based on Lim Ji Young's track record and experience in film production. The Proposed Acquisition also allows the sharing of networks and resources to bring about higher business synergy and efficiency in the Group's film production business segment.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Consideration

The total purchase consideration payable by the Company to the Vendors is S\$3.3 million (“**Consideration**”) which shall be satisfied by the issuance and allotment of 165,000,000 newly issued ordinary shares of the Company at S\$0.02 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 S\$0.018, taking into account, *inter alia*, the Target Company’s unaudited net profit before tax of KRW72,288,446 (approximately S\$83,743)¹ for the period from 1 January 2019 to 31 May 2019.

The Issue Price represents a premium of 17.6% to the volume weighted average price of S\$0.017 for each share, based on the trades done on the Shares on the Catalist of the SGX-ST on **12 July 2019**, 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 165,000,000 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.

¹ 1KRW:0.0012SGD

5. CONSIDERATION SHARES

The Consideration Shares will be issued pursuant to the general mandate given by the shareholders of the Company at the extraordinary general meeting of the Company held on 30 April 2019 (“**2019 EGM**”) 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**”), whether on a pro rata or non-pro rata basis, not exceeding 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the 2019 EGM.

The New SEGL Shares, when allotted and issued in full, will represent approximately 16.00% of the issued share capital of the Company as at 30 April 2019, being 1,030,965,608 shares, and about 13.80% of the enlarged issued and paid-up share capital of the Company upon completion of the SPA. The proposed allotment and issuance of 165,000,000 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 2018.

6.1.1 Earnings per share (“EPS”)

FY2018

Assuming that the Proposed Acquisition had been completed at the beginning of FY2018, the effect of the Proposed Acquisition on the Group’s EPS for FY2018 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to shareholders of the Company (US\$’000)	(2,137)	(2,076)
Weighted average number of ordinary shares in issue	1,030,965,608	1,195,965,608

EPS (US cents)	(0.207)	(0.174)
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6.1.2 Net tangible assets (“NTA”)

FY2018

Assuming that the Proposed Acquisition had been completed at the end of FY2018, the effect of the Proposed Acquisition on the Group’s NTA per Share as at 31 December 2018 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA attributable to shareholders as at 31 December 2018 (US\$’000)	31,550	31,342
NTA per Share (US\$)	0.031	0.026
Number of Shares at the end of FY2018	1,030,965,608	1,195,965,608

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 three months ended 31 March 2019 (“**1Q FY2019**”) 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⁾ .	3.49% ⁽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.	49.90% ⁽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.	16.00% ⁽⁴⁾

Rule 1006	Base	Relative figure
(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\$61,445 for the period from 1 January 2019 to 31 March 2019 and the net profit of the Group of US\$1,763,000 for 1Q FY2019.

(3) The Consideration is computed based on the Group's net asset value per Share of US\$0.053 (equivalent to S\$0.080¹) as at 31 December 2018, which is higher than the volume weighted average price of the Shares of S\$0.017 ("VWAP") on 12 July 2019, being the last market day preceding the date of the SPA, on the 165,000,000 Consideration Shares. The Company's market capitalisation of S\$19.6 million was computed based on the VWAP and 1,030,965,608 Shares (excluding treasury shares) as at the date of this announcement.

(4) Based on 165,000,000 Consideration Shares and 1,030,965,608 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 165,000,000 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

John Ko

Chief Executive Officer

15 July 2019

*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 Catalist. The Sponsor has not 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 accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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