

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

**RESPONSE TO QUERY FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
(THE "SGX-ST")**

The Board of Directors (the "**Board**") of Spackman Entertainment Group Limited (the "**Company**") and together with its subsidiaries, the "**Group**") would like to provide the following information in response to the query from the SGX-ST.

Query from the SGX-ST

Please refer to the following paragraphs for query in regard to Spackman Media Group Limited's ("**SMGL**") performance.

The Company previously responded that the rationale for the Company acquiring stakes in SMGL at significant premium to SMGL's NTA and NAV was because the Group believes that these acquisitions are earnings accretive to the Group given that it is increasing its stake in a profitable company (based on SMGL's audited financial statement for financial year ended 31 December 2017 ("**FY2017**")) that also has the potential to grow significantly in value.

Noted from the financial year ended 31 December 2018 ("**FY2018**") full year result announcement dated 28 Feb 2019, the share of results of associate of a loss of US\$0.21 million in FY2018 was attributable to the loss from SMGL. The loss was mainly attributable to the profit from talent management business of US\$0.14 million and offset by a loss of US\$0.33 million incurred by SMGL at the company level due to general and administrative expenses.

The actual figures differ from the Company's responses that the acquisitions are earnings accretive. What has changed?

Company's Response

Reasons for share of loss of associate

1) China Ban on Korean Entertainment

SMGL posted a loss mainly due to the China ban effect on its artists and projects. In FY2017 and FY2018, the Group has been acquiring SMGL shares in preparation for the lift of the China ban. However, during the past year, although there were signs of the China ban softening, it has yet to be lifted, and during which, SMGL and its artistes have entered into certain entertainment and endorsement projects related to China that were deferred as a result of this situation. As such, SMGL and its artists were facing a non-peak year as a significant portion of its potential earnings is expected to flow in from these projects which were temporarily stalled.

2) Delay in Production from The Makers Studio

In addition, the Group's share of results of associate is contributed partially by The Makers Studio Co. Ltd. ("**The Makers Studio**"), a startup Korean film production company, which the Group invested in November 2017. The Makers Studio entered into a filming project which was tentatively delayed due to changes in filming schedule. The Group expects the film to be released by year 2020.

SMGL's Plan on Tackling the China Ban

The Group and SMGL have been actively looking for ways to seek established partners to re-enter the China market and/or penetrate into the Southeast Asia market. Amid signs of thawing relationships between China and Korea, the Group is of the view that the improved relations can better optimise the performance of SMGL in the near future.

Despite the on-going China ban, the Group shall be focusing on its strategy of expanding its presence in Southeast Asia, where the demand for Korean content has been rapidly growing, and shall look for ways to secure strategic partnerships to strengthen its foothold in this region.

SMGL's Value-add to the Group's Operations

SMGL currently serves as a platform for the Group to invest and participate in the highest quality entertainment content projects which would have been previously impossible to gain entry in the Korean entertainment sector. SMGL has allowed the Group to successfully invest and participate into *TERIUS BEHIND ME*, the Group's first co-produced drama which ranked #1 in drama viewership ratings for its time slot, *BE WITH YOU*, a historical record-breaking melodrama film starring Korean megastar Son Ye-jin and So Ji Sub from SMGL, and *THE LAST PRINCESS*, a period film headlined by Son Ye-jin of SMGL. These films are exemplary projects which value-add to the Group's operations through a multitude of direct and indirect channels including production fees and investment return.

Strategic Investments into Collaborative Businesses

By capitalising on the platform of SMGL, the Group has also pursued unique collaborations with SMGL. Previously, the Group and SMGL have co-invested into a leading Singapore skincare firm, Skin Inc. Global with Son Ye-jin as its first brand evangelist. The Group has also invested into Nunsongyee, a highly popular Korean dessert café chain in Singapore and we are in discussions with Nunsongyee to seek opportunity to collaborate with SMGL. Looking ahead, the Group shall continue to look out for investment opportunities that can leverage on association with Korean celebrities under SMGL such as the investment into Skin Inc. Global and Nunsongyee.

Potential to be Monetised under Three-pronged Growth Platforms of SMGL

Other than the Group leveraging on SMGL to successfully obtain access to these quality content projects, the Group is of the view that SMGL has the potential to be monetised in the near future via its three-pronged platform in terms of artist management business, investments in content through SMGL artists and investments into businesses that collaborate with SMGL artists.

Listing of SMGL

Even though it is in a net loss position currently, SMGL is striving to improve its operations and financials ahead of its planned listing by tentatively end of year 2020, depending on the macro-market conditions. The listing of SMGL will help unlock higher value for SMGL especially given its

concrete plans to foray into the local and Southeast Asia media and consumer markets via strategic collaborations as shared above.

BY ORDER OF THE BOARD

John Ko

Chief Executive Officer

8 April 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 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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