

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

RESPONSE TO QUERY FROM SGX-ST ON PROPOSED ISSUANCE OF 101,607,865 NEW ORDINARY SHARES IN THE CAPITAL OF SPACKMAN ENTERTAINMENT GROUP LIMITED IN RELATION TO THE SHARE SALE AND PURCHASE AGREEMENT BETWEEN SPACKMAN ENTERTAINMENT GROUP LIMITED AND CERTAIN EXISTING SHAREHOLDER OF ASSOCIATED COMPANY, SPACKMAN MEDIA GROUP LIMITED (“SPA”)

Unless otherwise defined, all capitalised terms used herein shall bear the meanings ascribed to them in the Company's announcement dated 22 May 2018 in relation to the SPA.

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 query from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in respect to the Company's announcement dated 22 May 2018 on the proposed issuance of 101,607,865 new ordinary shares in the capital of the Company in relation to the SPA:

Query A of the SGX-ST

Please explain how the purchase consideration of US\$6.9 million was arrived at in light of the NTA and NAV of SMGL.

Company's Response

The purchase consideration of US\$6.9 million was based on the Vendors' sale of an aggregate of 2,300,000 common voting shares of SMGL, representing 7.52% equity interest of SMGL, at US\$3 per SMGL share.

Since 2017, the Group has completed three such similar Share Sale and Purchase Agreements with certain existing shareholders of SMGL to acquire SMGL shares at the same purchase price of US\$3 per SMGL share:

- (1) On 2 March 2017, the Group announced the proposed acquisition of 1 million common voting shares of SMGL at US\$3 per SMGL share. The NTA and NAV of SMGL as at 31 December 2016 was US\$7.1 million and US\$11.6 million respectively.
- (2) On 11 October 2017, the Group announced the proposed acquisition of 900,000 common voting shares of SMGL at US\$3 per SMGL share. The NTA and NAV of SMGL as at 30 June 2017 was US\$7.4 million and US\$12.1 million respectively.
- (3) On 22 December 2017, the Group announced the proposed acquisition of 920,000 common voting shares of SMGL at US\$3 per SMGL share. The NTA and NAV of SMGL as at 30 June 2017 was US\$7.4 million and US\$12.1 million respectively.

The NTA and NAV of SMGL as at 31 December 2017 stood at US\$7.9 million and US\$12.7 million respectively, which are higher than the previous announced NTA and NAV of SMGL as at 31 December 2016, 30 June 2017 and 30 September 2017.

The acquisition is on a non-cash basis and the Group is increasing its stake in a profitable company (based on SMGL's audited financial statement for the full year ended 31 December 2017) via shares issuance. As such, the Group believes that acquisition is earnings accretive to the Group.

The basis for the value of SMGL share could be further supported by RHB's report on 6 April 2017. Based on RHB's report, the analyst estimated that SMGL's value per share would be between US\$4.70 to US\$8.00.

Query B of the SGX-ST

What is the Board's views and bases on why this acquisition is in the interest of the Company?

Company's Response

This acquisition will allow the Group to increase its shareholding interest in its associated company, SMGL, from 33.76% to 41.28%.

SMGL is one of the largest talent management agencies in Korea, representing some of the most renowned top-tier Korean artistes such as Song Hye Kyo, Son Ye-jin and So Ji-sub, who both ranked #1 as the top movie star brands in Korea's power survey recently, Yoo Ah-in and Bae Doona.

Over the past year, the Group has been raising its stake in SMGL as it is optimistic on the future growth of SMGL and believes that leveraging on SMGL's artist platform can add value to SEGL's operations.

A recent project where the Group capitalized on SMGL's artist platform and networks is *BE WITH YOU*. The Group was able to participate as a major investor in *BE WITH YOU*, as the film was headlined by Son Ye-jin and So Ji-sub, and co-presented by MS Team Entertainment Co., Ltd. and Fiftyone K Inc., which are talent management agencies under SMGL. This demonstrates that the artist platform of SMGL can enable the Group to access investment and participation opportunities in the highest quality content that were previously impossible to gain access.

The Group is constantly pursuing unique opportunities to collaborate strategically with SMGL to invest and participate into the highest quality content projects and explore investment opportunities in businesses across a range of industries that offer compelling growth opportunities.

As the Group believes that the value of SMGL has the potential to increase significantly in the future, the Group is taking this opportunity to increase its shareholding and shall consider to continue raising its stake in SMGL as and when appropriate.

BY ORDER OF THE BOARD

Richard Lee

Executive Director & Interim Chief Executive Officer

6 June 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 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:-

Name: Mr Mah How Soon, Registered Professional, RHT Capital Pte. Ltd.

Address: 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619

Tel: 6381 6757