

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 94,634,034 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 (“SPAs”)

Unless otherwise defined, all capitalised terms used herein shall bear the meanings ascribed to them in the Company's announcement dated 6 August 2018 in relation to the SPAs.

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 of the Company's announcement dated 6 August 2018 on the proposed issuance of 94,634,034 new ordinary shares in the capital of the Company in relation to the SPAs:

Query 1 of the SGX-ST

What is the Company's plans for Spackman Media Group Limited (“**SMGL**”)?

Company's Response

SMGL is collectively one of the largest entertainment talent agencies in Korea in terms of the number of artists under management. The Company believes that the unparalleled portfolio of artists of SMGL enables the Group to access investment and collaboration opportunities in the highest quality projects that would otherwise be impossible to gain entry. This is significant as these top-level projects typically have the highest profile for profitability.

The Company plans on constantly pursuing opportunities to capitalize on SMGL's platform to participate in top quality entertainment content projects, including theatrical films and TV drama production as well as strategically invest into collaborative businesses.

Query 2 of the SGX-ST

Does the Company intend to continue to increase its stake in SMGL?

Company's Response

SMGL originally intended to list on the Hong Kong Stock Exchange and had appointed and engaged KGI to act as the Sole Global Coordinator, Sole Sponsor, Bookrunner and Lead Manager as announced on 21 August 2015. However, SMGL's Hong Kong listing has been delayed due to reasons outside of SMGL's control, namely geo-political issues between China and Korea. This situation allowed the

Group to increase its stake in SMGL at attractive valuations. As political tensions ease between China and Korea, revenues and profits of SMGL are expected to jump significantly and in turn the value of SMGL is also expected to appreciably rise. Therefore, it is an opportune time to increase stake in SMGL at this level.

If and when the China ban on Korean content is lifted, SMGL will re-explore a listing in Hong Kong or Singapore.

The Company's objective is to maximize shareholder value and believes that the value of SMGL has the potential to increase significantly in the future. As such, the Group will continue to evaluate raising its shareholding in an undervalued company and shall make the necessary announcements as and when appropriate.

Query 3 of the SGX-ST

What is the rationale for the Company acquiring stakes in SMGL at significant premium to SMGL's NTA and NAV?

Company's Response

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 FY2017) that also has the potential to grow significantly in value.

On 31 March 2017, the Group completed the acquisition of Frame Pictures Co., Ltd. ("**Frame Pictures**") through payment in cash and 497,250 SMGL shares held by the Group. The shareholder of Frame Pictures accepted US\$6.80 per SMGL share as fair value for the Company's acquisition of Frame Pictures via arm's length negotiations, where the Company recognized a gain of US\$3 million from the disposal of 497,250 SMGL shares as announced in 1QFY2017.

Based on the professional valuation performed by external valuer in FY2017, the fair value of SMGL shares is US\$6.18 per share. Such fair value has been crossed checked by the external auditors, Baker Tilly LLP.

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 4 of the SGX-ST

- (i) Who is on the board of SMGL?
- (ii) Who are the key management of SMGL?
- (iii) Does the Company have any board or management representation on SMGL?

Company's Response

- (i) The board of SMGL comprises Richard Lee and Na Kyoungwon, who are also directors of our Company.

- (ii) The key management of SMGL are Kim Min Sook of MS Team Entertainment Co., Ltd., Kim Jung Hee of Fiftyone K Inc., Park Hyun Jung of UAA & Co Inc., Kook Se Hwan of Kook Entertainment Co., Ltd. and Lee Han Lim of SBD Entertainment Inc.
- (iii) Yes, the Company has board and management representation on SMGL as Richard Lee is the interim CEO and Executive Director of the Company and Na Kyoungwon is the CFO and Executive Director of the Company.

Query 5 of the SGX-ST

Who are the controlling shareholders of SMGL?

Company's Response

The Company is the sole controlling shareholder of SMGL.

Query 6 of the SGX-ST

Please tabulate the series of transactions relating to acquisition of stakes in SMGL, and the corresponding SMGL Vendors in each transaction.

Company's Response

Over the past 12 months, the Company has completed 3 share swaps in October 2017, December 2017 and May 2018. The below table shows the transaction relating to the acquisition of stakes in SMGL for the 3 completed share swaps and the proposed share swap in August 2018:

Date	No. of SMGL Shares Acquired	% of SMGL Acquired	No. of SMGL Vendors*
10-Oct-17	900,000	2.95	5
22-Dec-17	920,000	3.01	1
21-May-18	2,300,000	7.52	5
4-Aug-18	1,345,288	2.60	4

*The Company is unable to disclose the identities of the Vendors due to confidentiality reasons.

Query 7 of the SGX-ST

What would the Rule 1006 ratios be had these transactions been aggregated?

Company's Response

Over the past 12 months, the Company has completed 3 share swaps in October 2017, December 2017 and May 2018. If aggregated with the current proposed share swap in August 2018, the Rule 1006 ratios will be as follows:

Rule 1006 (b) - Net profit comparison - Compared to latest announced FY2017 SEGL/SMGL	
Relative figure = i/ii	4.93%

Rule 1006 (c) - Consideration comparison	
Relative figure = i/ii	36.94%

Rule 1006 (d) - No. of equities issued in comparison	
Relative figure = i/ii	41.88%

Query 8 of the SGX-ST

Has the Company considered if the financial statements of Spackman Media Group Limited need to be consolidated with that of the Company, in accordance with the relevant Financial Reporting Standards? And if so, whether the Company has sought concurrence from its external auditors on the approach that it has taken?

Company's Response

The Group has assessed its control over SMGL in accordance with Financial Reporting Standard 110 Consolidated Financial Statement and the Group is of the view that SMGL is considered as an associate, and not a subsidiary and the Group is in discussions with its external auditors, Baker Tilly LLP, as to whether consolidation is necessary for FY2018 after the completion of the recent proposed share swap in August 2018. A detailed control assessment will be done for FY2018 audit.

BY ORDER OF THE BOARD

Richard Lee

Executive Director & Interim Chief Executive Officer

23 August 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.

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