

spackmanentertainmentgroup

SPACKMAN ENTERTAINMENT GROUP LIMITED

(Company Registration No.: 201401201N)

(Incorporated in the Republic of Singapore on 10 January 2014)

THE PROPOSED DISPOSAL BY THE COMPANY OF ITS ENTIRE SHAREHOLDING INTEREST IN FRAME PICTURES CO., LTD.

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Spackman Entertainment Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that on 23 December 2021, the Company has entered into a sale and purchase agreement (the “**SPA**”) with High Vision Co., Ltd. (the “**Purchaser**”), for the disposal by the Company of 10,000 common voting shares in Frame Pictures Co., Ltd. (“**Frame Pictures**”) (the “**Sale Shares**”), representing 100% of the total outstanding common voting shares of Frame Pictures (the “**Frame Pictures Shares**”), on the terms and conditions of the SPA (the “**Proposed Disposal**”).

The Proposed Disposal is considered a “disclosable transaction” of the Company as defined under Chapter 10 of the Listing Manual Section B: Rules of Catalyst (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

2. INFORMATION RELATING TO THE GROUP AND THE PURCHASER

2.1 Information relating to Frame Pictures

Frame Pictures is a corporation incorporated under the laws of the Republic of Korea (“**Korea**”) on 23 July 2014. Frame Pictures is involved in the business of camera equipment leasing for movie and drama in Korea. For more information on Frame Pictures, visit <http://framepictures.co.kr/>.

The Company is the legal and beneficial owner of 10,000 common voting shares in Frame Pictures, representing 100% of the Frame Pictures Shares.

2.2 Information relating to the Purchaser

The Purchaser is a corporation incorporated under the laws of Korea on 3 December 2018 and is principally engaged in the business of production and distribution of movies, videos and broadcast programs and other entertainment management. The Ultimate Beneficiary Owner is Kim So-yun, who is the sole director of the Purchaser.

The Purchaser does not have any shareholding interest, direct or indirect, in the Company, and the directors and/or substantial shareholders of the Purchaser are not related to any of the directors, the chief executive officer, or substantial shareholders of the Company, or their respective associates.

3. MATERIAL TERMS OF THE PROPOSED DISPOSAL

A summary of the material terms and conditions of the Proposed Disposal as set out in the SPA is as follows.

3.1 Disposal of the Sale Shares

The Company shall sell and transfer the Sale Shares to the Purchaser, and the Purchaser shall purchase the Sale Shares from the Company, free from any charges, liens, encumbrances, equities and claims, and together with all rights now and hereafter attaching or accruing thereto and all dividends and distributions paid and otherwise on the terms and conditions of the SPA, for an aggregate consideration of Four Hundred and Fifty Million Korean Won (KRW 450,000,000), (approximately USD 382,164)¹. (the “**Consideration**”).

3.1.1 Payment Schedule

On the date of completion of the Proposed Disposal in accordance with the terms and conditions of the SPA (“**Closing**”), upon satisfaction of the Conditions Precedent, the Purchaser shall pay to the Company the first tranche of KRW 360,000,000, representing 80% of the Purchase Consideration, in cash or via wire/telegraphic transfer into the bank account of the Company or into a bank account designated in writing by the Company (the “**Company Bank Account**”).

The remaining amount of the Purchase Consideration, being KRW 90,000,000, representing 20% of the Purchase Consideration (the “**Outstanding Amount**”), shall be paid by the Purchaser to the Company in cash or via wire/telegraphic transfer into the Company Bank Account, within 3 days after the Purchaser gives notice to the Company of completion of examinations (the “**Examinations**”) on the camera leasing equipment owned by Frame Pictures, with a total value of KRW 108,000,000 (the “**Charged Assets**”), to the reasonable satisfaction of the Purchaser. The Examinations shall be completed no later than 30 April 2022 failing which the Purchaser shall be deemed to have given the aforesaid notice of completion of the Examinations.

3.2 Consideration

The aggregate Consideration was arrived at after arms’ length negotiations and on a willing-buyer willing-seller basis, after taking into consideration the Purchaser’s due diligence results on Frame Pictures and other commercial factors including, *inter alia*, the historical performance and business prospects of the Group and Frame Pictures, prevailing market conditions, the valuation of Frame Pictures based on the Valuation Report (as defined below), and the rationale for and benefits to the Group arising from the Proposed Disposal as further described in Section 4 of this Announcement.

3.3 Conditions Precedent

The Closing shall be subject to the fulfilment of all of the following conditions (collectively, the “**Conditions Precedent**”):

- (a) Veracity of Warranty, that, at and as of the Closing, all the warranties set forth in Article 3 of the SPA having been true when made and being true in all respects as if all of the same were made at and then renewed/repeated as of the Closing and parties to the SPA having performed their individual and corporate actions and complied with all

¹ Based on the exchange rate of KRW1:USD0.00085

agreements as required by the SPA to be performed or complied by them.

- (b) Satisfactory Due Diligence, the completion of the Purchaser's due diligence exercise (including legal, accounting, financial and tax due diligence) in relation to Frame Pictures and its subsidiaries (the "**Due Diligence Exercise**") to the satisfaction of Frame Pictures. The Company agrees to provide the Purchaser full and free access to the relevant information in a timely manner for the purpose of the Due Diligence Exercise.
- (c) Regulatory Approvals, each party to the SPA having obtained all necessary regulatory approvals and consents in their respective jurisdictions, as well as all other necessary approvals and consents from all relevant government, regulatory and other authorities and third parties in Singapore and other relevant jurisdictions to effect and complete the Proposed Disposal, and where such approvals or consents are subject to conditions, such conditions being reasonably acceptable to the Company.
- (d) Other Approvals, the consents of the board of directors and shareholders of each party to the SPA, if such consents are required.

If any of the Conditions Precedent are not fulfilled on or before 31 December 2021 or such other later date as the parties to the SPA may agree in writing, and such non-fulfilment is not waived, this Agreement shall automatically terminate and none of the parties to the SPA shall have any further liability to the other parties except for any liability accrued as at such date.

3.4 Indemnity

Each party to the SPA indemnifies the other party (and its officers, directors, employees, agents and associates) in respect of, and hold each of them harmless from and against, any and all damages, losses and liabilities suffered, incurred or sustained by any of them or to which any of them becomes subject, resulting from, arising out of or relating to any breach of warranty.

3.5 Security

The Purchaser shall procure that Frame Pictures, as absolute, legal and beneficial owner, and as a continuing security for the payment of the Outstanding Amount, charges and agrees to charge in favour of the Company by way of a first fixed charge, and assigns and agrees to assign absolutely to the Company, free from all security, all its present and future rights, title and interest in and to the Charged Assets.

The charge over the Charged Assets as aforementioned shall remain in full force and effect as a continuing security for the Outstanding Amount, unless and until the Outstanding Amount is fully paid to the satisfaction of the Company.

4. RATIONALE FOR THE PROPOSED DISPOSAL

Against the backdrop of uncertainty of the entertainment sector brought about by the COVID-19 pandemic, particularly in relation to the theatrical film industry, the Board is of the view that the Proposed Disposal is in the best interests of the Company and Shareholders as it will benefit the Group in the following quantitative and qualitative aspects:

4.1 Quantitative Aspects

- a) Financial improvements: the Proposed Disposal will result in an increase in the NTA (as

defined below) and earnings per share.

- b) Enhancement in current ratio and liquidity: As the Consideration is expected to be paid in cash, it will enhance the Group's liquidity.

4.2 Qualitative Aspects

- a) Poor performance of Frame Pictures due to a decline in leasing contracts, in addition to Frame Pictures' equipment's being rendered obsolete by new camera models.

The core assets of Frame Pictures are camera leasing equipment for drama and movie production (the "FP Assets"). Since FY2019, Frame Pictures has been making losses due to a drop in the total number of leasing contracts for its equipment. The reasons for the falling contract numbers are twofold, arising from the COVID-19 pandemic as well as the fact that the FP Assets have been undergoing depreciation resulting from being worn-out and the release of newer camera models rendering them obsolete.

- b) Unsustainable commitments required to reinvigorate the business of Frame Pictures

The capital expenditure required to reinvigorate Frame Pictures and to sustain its operations through the purchase of newer camera models is unsustainable in the long run considering the Group's financial situation. A total of approximately US\$6,900,000 is needed over the next five years, which is too costly for the Group, especially considering that the camera equipment leasing business of Frame Pictures does not align with the Group's overall strategy.

- c) The business of Frame Pictures does not form part of the Group's overarching strategy of focusing on the production and financing of Korean Dramas and US Films

In view of the slowdown in Frame Pictures' business, providing financial support, including to purchase new camera leasing equipment, to revive Frame Pictures' business would not benefit the Group's overall strategy to diversify into and focus on the production and financing of Korean drama and US films. The Group will also tap on its subsidiaries, including Take Pictures Pte. Ltd., Simplex Films Limited, Greenlight Content Limited and Novus Mediacorp Co., Ltd. to produce and invest in Korean films. Looking forward, the Group shall continue to look out for opportunities to expand its content production for OTT business.

5. USE OF PROCEEDS

The estimated net proceeds from the Proposed Disposal, after deducting estimated expenses to be incurred in connection with the Proposed Disposal of approximately US\$27,760, is approximately US\$354,404 (the "Net Proceeds").

The Company intends to utilise 50% of the Net Proceeds for investment projects and the other 50% for working capital.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

6.1 NTA, Book Value and Net Profit Figures

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2020 (“**FY 2020 Financial Statements**”), the net tangible asset (“**NTA**”) value of Frame Pictures as at 31 December 2020 is US\$(208,202), and the book value of Frame Pictures as at 31 December 2020 is US\$(129,285).

Based on the FY2020 Financial Statements and the Net Proceeds, the Group would expect to realise an attributable net disposal gain of US\$562,606 and an excess of the Net Proceeds over the book value of approximately US\$483,689.

The *pro forma* financial effects of the Proposed Disposal as set out below are purely for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Company and the Group following the completion of the Proposed Disposal. The *pro forma* financial effects have been prepared based on the Group’s FY2020 Financial Statements, subject to the following assumptions:

- (a) the financial effects of the Proposed Disposal on the NTA per share of the Company for FY2020 are computed assuming that the Proposed Disposal had been completed on 31 December 2020; and
- (b) the financial effects of the Proposed Disposal on the loss per share (“**LPS**”) of the Company for FY2020 are computed assuming that the Proposed Disposal had been completed on 1 January 2020.

6.2 Effects on NTA per share

	Before the Proposed Disposal	After the Proposed Disposal
NTA (US\$)	31,256,491	31,846,857
Number of shares	1,901,657,319	1,901,657,319
NTA per share (US\$)	0.016	0.017

6.3 Effects on LPS

	Before the Proposed Disposal	After the Proposed Disposal
Net loss ⁽¹⁾ attributable to equity holders of the Company (US\$)	(13,451,013)	(12,888,407)
Number of shares	1,901,657,319	1,901,657,319
LPS ⁽²⁾ (US\$ cents)	(0.707)	(0.678)

Notes:

- (1) Net profits means profit or loss including discontinued operations that have not been disposed and before non-controlling interest.
- (2) LPS has been calculated based on the 1,901,657,319 shares in issue as at the date of this announcement.

7. VALUATION REPORT

For the purposes of the Proposed Disposal, the Company has commissioned Hanul LLC., Crowe Horwath (the “**Independent Valuer**”), as a competent and independent valuer, to perform a valuation on Frame Pictures and to assess and determine the value of the Sale Shares. Based on the valuation report issued by the Independent Valuer on 1 December 2021 (the “**Valuation Report**”), the valuation of Frame Pictures as at 1 December 2021 is approximately KRW 412,018,000. In arriving at these figures, the Independent Valuer has adopted the discount cash flow method.

8. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

Based on the latest announced consolidated financial statements of the Group (being the HY 2021 Financial Statements), the relative figures in relation to the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Catalist Rules are as follows, and taking into account the disposal of the Zip Cinema Co., Ltd. which the Group completed on 2 December 2021:

Rule	Bases of computation	Relative figures (%)
Rule 1006(a)	Net asset value (“ NAV ”) ⁽¹⁾ of the assets to be disposed of US\$(1,628,857) compared with the Group’s NAV of US\$38,327,934. This basis is not applicable to an acquisition of assets.	(4.25)
Rule 1006(b)	Net loss ⁽²⁾ attributable to the Sale Shares to be disposed of US\$953,385, compared with the Group’s net profit of US\$6,731,180.	(14.16)
Rule 1006(c)	Aggregate value of the consideration received of S\$521,813 ⁽⁴⁾ , compared with the Company’s market capitalisation ⁽³⁾ of approximately S\$7,606,629.	6.86
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable as the transaction is not an acquisition.
Rule 1006(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 as this transaction is not a disposal of mineral, oil and gas assets.

Notes:

- (1) Under Rule 1002(3)(a) of the Catalist Rules, "net assets" means total assets less total liabilities.
- (2) Under Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (3) Under Rule 1002(5) of the Catalist Rules, "market capitalisation" of the Company is determined by multiplying the 1,901,657,319 shares in issue by the volume weighted average price of such shares transacted on 22 Dec 2021, being the market day immediately preceding the date of the SPA, of S\$0.004 per share.
- (4) Based on the exchange rate of KRW 1:SGD0.0012

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this Announcement, none of the Directors or the controlling shareholders of the Company has any direct or indirect interest in the Proposed Disposal, other than through their respective shareholding interests in the Company (if any).

10. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company (a "**Director**") in connection with the Proposed Disposal.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Disposal and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

12. DOCUMENTS FOR INSPECTION

A copy of the SPA and the Valuation Report is available for inspection during normal business hours at the Company's registered office at 16 Collyer Quay, #17-00 Income at Raffles, Singapore 049318 for a period of three (3) months from the date of this Announcement.

13. CAUTION IN TRADING

Shareholders and potential investors should note that the Proposed Disposal is subject to the fulfilment of the Conditions Precedent set out above and accordingly are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this Announcement that the Proposed Disposal will be completed. Shareholders are advised to read this Announcement and any further announcements by the Company carefully, and should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules, as and when there are material developments in respect of the Proposed Disposal, the SPA and other matters contemplated in this announcement.

BY ORDER OF THE BOARD

Na Kyoungwon
Chief Operating Officer, President and Executive Officer
23 December 2021

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently 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 correctness of any of the statements or opinions made or reports contained in this announcement.

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