

spackmanentertainmentgroup

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

PROPOSED SHARE SWAP OF THE COMPANY’S 45.8% INTEREST IN ITS ASSOCIATED COMPANY, SPACKMAN MEDIA GROUP PTE. LTD., IN CONSIDERATION FOR AN APPROXIMATELY 27.4% INTEREST IN SPACKMAN MEDIA GROUP LIMITED

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of Spackman Entertainment Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has, on 30 December 2015, entered into a share swap agreement (the “**Agreement**”) with Spackman Media Group Limited (“**Purchaser**” or “**Proposed HK Listco**”) for the sale of its 5,999,999 ordinary shares in the capital of Spackman Media Group Pte. Ltd. (“**SMG**”) (“**Sale Shares**”), representing 45.8% equity interest in SMG (the “**Proposed Share Swap**”) in consideration for 7,500,000 ordinary shares in the capital of the Purchaser (“**Consideration Shares**”). Upon completion of the Proposed Share Swap, SMG will cease to be an associated company of the Company and the Company will hold an approximately 27.4% equity interest in the Purchaser.

With reference to the announcement dated 24 August 2015, the Proposed Share Swap forms part of the restructuring exercise in connection with the proposed listing of SMG or its affiliates on The Stock Exchange of Hong Kong (“**HKSE**”) (“**Proposed Listing**”).

The Proposed Share Swap and the Proposed Listing are deemed to constitute a spin-off of the Company’s 45.8% interest in SMG in return for the 27.4% interest in the Proposed HK Listco for listing on the HKSE (the “**Proposed Spin-off**”). In this regard, completion of the Proposed Spin-off is subject to, *inter alia*, the pre-clearance from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the Proposed Spin-off (“**Pre-clearance**”). The Company is currently in the midst of seeking pre-clearance from the SGX-ST for the Proposed Spin-off.

2. INFORMATION ON SMG

SMG is an investment holding company incorporated in Singapore in April 2015. SMG owns a 99.0% interest in Delmedia Co., Ltd. (“**Delmedia**”), a variety show and unscripted entertainment program production company in Korea and a 51.0% interest in Breakfastfilm Co., Ltd. (“**Breakfastfilm**”), a marketing and media company that specializes in the production of TV/new media commercials and K-pop music videos in Korea. SMG, Delmedia and Breakfastfilm shall collectively be

referred to hereinafter as the “**SMG Group**”. The acquisition of Delmedia and Breakfastfilm by SMG was completed in June 2015 and September 2015 respectively. Based on the unaudited financial statements of SMG for the nine-month financial period ended 30 September 2015 (“**9M 2015**”), the loss before tax of the SMG Group for 9M 2015 was US\$0.86 million and the net tangible asset and net asset value attributable to the shareholders of the company of the SMG Group as at 30 September 2015 was US\$4.13 million and US\$8.70 million respectively.

3. RATIONALE FOR THE PROPOSED SPIN-OFF

3.1 Unlocking value for Shareholders by ascribing a separate and distinct valuation for the SMG Group

The Proposed Listing will provide a transparent valuation to benchmark the new businesses under the SMG Group and increase the overall financial capacity and flexibility of the Group to focus on its core theatrical film business.

3.2 Shareholders will not only continue to benefit from the performance of the SMG Group after the Proposed Listing, but also be able to participate in the combined enterprise

As it is contemplated that SMG will be a wholly-owned subsidiary of the Proposed HK Listco, which will become an associated company of the Company, the Company will continue to benefit from the performance of the SMG Group after the Proposed Listing.

In addition, the Company will also be able to participate in the performance and growth of a larger group of entities comprising, in addition to the SMG Group, the other subsidiaries and entities owned by the Proposed HK Listco (“**Proposed HK Listco Entities**”) (collectively, the “**Proposed Listco Group**”). As at the date of the Agreement, the Proposed HK Listco Entities comprise entities incorporated in the Republic of Korea and primarily engaged in the talent management business in Korea. The unaudited net tangible asset value and net asset value attributable to the shareholders of the company of the Proposed Listco Group as at 31 December 2014 (based on the consolidated proforma management accounts of the Proposed Listco Group) was US\$6.79 million and US\$12.18 million respectively.

3.3 The combined businesses of the SMG Group and the Proposed HK Listco Entities to form the Proposed Listco Group will generate considerable value creation opportunities for shareholders

The combined businesses of the SMG Group and the Proposed HK Listco Entities will benefit from an enhanced market presence and expected synergistic advantages through the combination of complementary assets and businesses.

3.4 SMG Group will gain access to the capital markets directly to fund its existing businesses, which will lead to strategic benefits to the Company

The SMG Group will have direct access to capital markets and be able to raise funds if the Proposed Listing materialises to strengthen and grow its talent management business, which may lead to a wider range of opportunities for the Group's core movie business through its affiliation with SMG.

4. PRINCIPAL TERMS OF THE PROPOSED SHARE SWAP

4.1 Consideration

The consideration for the Sale Shares will be satisfied by the issue and allotment of the Consideration Shares on the basis of 1.25 ordinary share in the capital of the Purchaser for every 1 ordinary share in the capital of SMG. There is no gain or loss on the Proposed Share Swap as the consideration is fair value of the Sale Shares, which is equivalent to the Company's cost of investment in SMG.

The consideration was arrived at following arm's length negotiations on a willing buyer, willing seller basis, and taking into account, *inter alia*, the potential growth of the Proposed HK Listco and the Proposed Listing. The basis of the Proposed Share Swap is the same as the swap completed between the then other shareholders of SMG and the Purchaser.

The consideration will be satisfied upon the satisfaction of all the conditions precedent to completion of the Proposed Share Swap ("**Completion**").

4.2 Conditions Precedent

Pursuant to the terms of the Agreement, Completion is conditional upon, *inter alia*, the following:

- 4.2.1 The warranties given by the Purchaser and the Company (collectively, the "**Parties**") 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;
- 4.2.2 The completion of the Purchaser's due diligence exercise (including legal, accounting, financial and tax due diligence) to be performed on SMG and its subsidiaries to the satisfaction of the Purchaser;
- 4.2.3 The appointment of one (1) director on the board of the Proposed HK Listco by the Company; and
- 4.2.4 All necessary regulatory approvals and consents in the Parties' respective jurisdictions having been obtained, including the Pre-clearance.

4.3 Completion Date

Completion shall take place on the date on which all the conditions precedent have been fulfilled and the consideration has been fully satisfied.

5. FINANCIAL EFFECTS OF THE PROPOSED SHARE SWAP

5.1 The financial effects of the Proposed Share Swap 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 Share Swap. The financial effects of the Proposed Share Swap set out below have been prepared based on (i) the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 (“FY2014”), and (ii) the Group’s unaudited financial statements for 9M 2015.

5.1.1 Loss per share (“LPS”)

FY2014

Assuming that the Proposed Share Swap had been completed at the beginning of FY2014, the effect of the Proposed Share Swap on the Group’s LPS for FY2014 will be as follows:

	Before the Proposed Share Swap	After the Proposed Share Swap
Loss attributable to shareholders of the Company (US\$’000)	(7,981) ⁽¹⁾	(8,497)
Weighted average number of ordinary shares in issue ⁽²⁾	395,310,000	395,310,000
LPS (US cents)	(2.02)	(2.15)

Notes:

- (1) Did not include financials of the SMG Group as the SMG Group was incorporated in April 2015.
- (2) Assuming that the Company’s IPO had taken place on 10 January 2014 (i.e. the Company’s date of incorporation).

9M 2015

Assuming that the Proposed Share Swap had been completed at the beginning of 9M 2015, the effect of the Proposed Share Swap on the Group's LPS for 9M 2015 will be as follows:

	Before the Proposed Share Swap	After the Proposed Share Swap
Loss attributable to shareholders of the Company (US\$'000)	(3,802) ⁽¹⁾	(3,762)
Weighted average number of ordinary shares in issue	398,668,438	398,668,438
LPS (US cents)	(0.95)	(0.94)

Note:

(1) Did not include financials of Breakfastfilm as SMG acquired 51.0% of Breakfastfilm on 30 September 2015.

5.1.2 Net tangible assets ("NTA")

FY2014

Assuming that the Proposed Share Swap had been completed at the end of FY2014, the effect of the Proposed Share Swap on the Group's NTA as at 31 December 2014 will be as follows:

	Before the Proposed Share Swap	After the Proposed Share Swap
NTA attributable to shareholders of the Company (US\$'000) ⁽¹⁾	9,552 ⁽²⁾	9,035
Number of ordinary shares in issue	395,310,000	395,310,000
NTA per share (US cents)	2.42	2.29
Adjusted NTA attributable to shareholders of the Company (US\$'000) ⁽³⁾	12,663	12,146
Adjusted NTA per Share (US cents)	3.20	3.07

Notes:

(1) Computed based on the Group's net assets less non-controlling interests and intangible assets, which includes film production inventories of US\$3.1 million.

- (2) Did not include financials of the SMG Group as the SMG Group was incorporated in April 2015.
- (3) Computed based on the Group's net assets less non-controlling interests and intangible assets but excludes film production inventories of US\$3.1 million.

9M 2015

Assuming that the Proposed Share Swap had been completed at the end of 9M 2015, the effect of the Proposed Share Swap on the Group's NTA as at 30 September 2015 will be as follows:

	Before the Proposed Share Swap	After the Proposed Share Swap
NTA attributable to shareholders of the Company (US\$'000) ⁽¹⁾	(1,429)	(1,388)
Number of ordinary shares in issue	398,770,209	398,770,209
NTA per share (US cents)	(0.36)	(0.35)
Adjusted NTA attributable to shareholders of the Company (US\$'000) ⁽²⁾	8,344	8,385
Adjusted NTA per Share (US cents)	2.09	2.10

Notes:

- (1) Computed based on the Group's net assets less non-controlling interests and intangible assets, which includes film production inventories of US\$9.8 million.
- (2) Computed based on the Group's net assets less non-controlling interests and intangible assets but excludes film production inventories of US\$9.8 million.

6. RELATIVE FIGURES UNDER CATALIST RULE 1006

The relative figures computed on the relevant bases set out in Rule 1006 of the SGX-ST Listing Manual: Section B: Rules of Catalist (the “**Catalist Rules**”) in respect of the Proposed Spin-off and based on the unaudited financial statements of the Group for 9M 2015 are as follows:

Rule 1006	Base	Relative figure
(a)	The net asset value of the Company’s 45.8% stake in the SMG Group to be disposed of, compared with the Group’s net asset value.	28.6% ⁽¹⁾
(b)	The net profit attributable to the Company’s 45.8% stake in the SMG Group to be disposed of, compared with the Group’s net profit.	9.8% ⁽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.	5.9% ⁽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.	Not applicable
(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.	Not applicable

Notes:

- (1) The net asset value of (i) the Company’s 45.8% interest in the SMG Group and (ii) the Group (based on the unaudited financial statements of the Group for 9M 2015) as at 30 September 2015 was US\$3.98 million and US\$13.95 million respectively.
- (2) The unaudited loss before income tax, non-controlling interests and extraordinary items attributable to (i) the Company’s 45.8% interest in the SMG Group and (ii) the Group (based on the unaudited financial statements of the Group for 9M 2015) for 9M 2015 was US\$0.39 million and US\$4.01 million respectively.
- (3) The value of the consideration to be received for the Proposed Share Swap was taken to be US\$2.48 million (approximately S\$3.51 million based on the exchange rate of US\$1: S\$1.4145 on 30 December 2015), which represents the value of the Consideration Shares, being the fair value of the Sale Shares, which is equivalent to the Company’s cost of investment in SMG. The Company’s market capitalisation as

at the date of this announcement is approximately S\$59.98 million (based on the volume weighted average price of S\$0.1504 on 29 December 2015 (being the last full market day preceding the date of the Agreement) and the Company's share capital of 398,770,209 ordinary shares).

As the relative figures computed on the bases set out in Catalist Rule 1006(a), (b) and (c) exceed 5% but are less than 50%, the Proposed Share Swap constitutes a "Discloseable Transaction" under Chapter 10 of the Catalist Rules.

7. 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 Share Swap (other than through their shareholdings in the Company, if any). None of the Directors or the controlling shareholders of the Company are related to the Proposed HK Listco.

8. DIRECTORS' SERVICE CONTRACTS

There are no persons who are proposed to be appointed as a Director of the Company in connection with the Proposed Share Swap. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. DOCUMENT FOR INSPECTION

A copy of the Agreement 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 announcements as and when there are material developments on the Proposed Share Swap and the Proposed Listing.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman
30 December 2015

The Company was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 22 July 2014. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the 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 Ms. Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.