

# spackmanentertainmentgroup

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

## PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN TAKE PICTURES PTE. LTD. ("TAKE PICTURES"), WHICH WHOLLY OWNS 100% OF THE EQUITY INTEREST IN STUDIO TAKE CO., LTD. ("STUDIO TAKE")

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### 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 10 October 2017 entered into a sale and purchase agreement (the "**Agreement**") with four independent third parties (the "**Vendors**") to acquire the entire issued and paid-up share capital of the Take Pictures Pte. Ltd. (the "**Target Company**" or "**Take Pictures**") (the "**Proposed Acquisition**").

Take Pictures owns 100% of the equity interest in Studio Take Co., Ltd. ("**Studio Take**"). Upon completion of the Proposed Acquisition, Take Pictures and Studio Take will respectively become wholly-owned direct and indirect subsidiaries of the Company.

### 2. INFORMATION ON THE TARGET COMPANY

The Target Company owns 100% of the equity interest in Studio Take, which is a development stage motion picture production company founded by veteran movie producer, Mr. Song Dae-chan ("**Mr. Song**") and incorporated in the Republic of Korea. Studio Take currently has developed and owns a strong lineup of 10 film projects including the co-production with the Company's indirect wholly-owned subsidiary Zip Cinema Co., Ltd. ("**Zip Cinema**") of *THE PRIESTS 2*. *THE PRIESTS 2* is the sequel to one of Korea's most commercially successful theatrical films of 2015, *THE PRIESTS*, which was produced by Zip Cinema.

Studio Take seeks to produce top quality films that will be theatrically distributed and released in Korea and overseas markets, as well as for subsequent post-theatrical worldwide release in other forms of media, including cable television, broadcast television, IPTV, video-on-demand, and home video/DVD, etc. Studio Take will release all of its motion pictures into wide-theatrical exhibition initially in Korea, and then in overseas and ancillary markets.

As at the date of this announcement, the Target Company has an issued and paid-up share capital of S\$830,000 comprising 100,000 ordinary shares ("**Sale**

Shares”). The unaudited net asset value of the Target Company amounted to US\$908,612 (approximately S\$1.24 million) as at 30 September 2017.

**Tentative Lineup of Studio Take\***

NO.	PROJECT	KOREAN TITLE	STATUS	GENRE	PARTIES
1	<i>DAMAGE</i>	돌맹이	Pre-production	Human Drama	Director: Kim Jung Sik; Writer: Lee Shin Ji
2	<i>21<sup>ST</sup> MONSTER</i>	21 세기 괴물	Development	Human Thriller	Director: Mr. Gil, Writer: Shin So Hee
3	<i>THE GIRL I KILLED</i>	내가죽인그녀	Development	Mystery Melodrama	Writers: Cho Yeon Soo, Jun Sun Young
4	<i>THE LAST CRIME</i>	마지막범죄	Development	Crime Action	Director: Kim Jae Won
5	<i>THE LAST PUZZLE</i>	마지막퍼즐	Development	Crime Action Noir	Director: Huh Dam
6	<i>HELLO HAWAII</i>	안녕하와이	Development	Romantic Melo	Writer: Lee Shin Ji
7	<i>HAPPY TOWER</i>	행복타워	Development	SF Human Drama	
8	<i>LIKE RAINDEW</i>	이슬처럼	Development	Comic Drama	Writer: Cho Young Soo
9	<i>YANGPU</i>	양푸	Development	Human Drama	Writers: Studio Take
10	<i>THE PRIESTS 2</i>	검은사제들 2	Development	Action Drama	Writers: Studio Take

\*Subject to changes

Mr. Song is currently the founder and Chief Executive Officer of Studio Take. Prior to establishing Studio Take, Mr. Song spent 13 years working alongside the Company’s Executive Director and Chief Producer Ms. Eugene Lee (“**Ms. Lee**”), the CEO of Zip Cinema. Mr. Song began his career in 2002 apprenticing under Kang Je-kyu, director of classic hits *SIRI* (1999) and *TAEGUKKI* (2004) at the eponymous film company, Kang JEKYU Film. Mr. Song continued his career at B.O.M. Pictures working with Ms. Lee on *A BITTERSWEET LIFE* (2005), and then joined her at Zip Cinema where they collaborated on numerous projects for the next 12 years. During his tenure at Zip Cinema, Mr. Song produced some of Korea’s most commercially successful theatrical films, including *THE PRIESTS* (2015) and *COLD EYES* (2013).

**3. RATIONALE FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition will enable the Group to expand its annual movie production capacity and strengthen its movie production business segment. The Proposed Acquisition is in accordance with the Group’s objective to continually seek acquisitions that will strategically add accretive value to its existing movie production business segment.

The Group believes that Take Pictures is well-equipped with the capabilities to replicate the success of Zip Cinema based on Mr. Song’s track record and expertise in film production. The Proposed Acquisition is a good strategic fit for the Group as Mr. Song is familiar with the Group’s strategy and approach to filmmaking through his years at Zip Cinema. As such, this will allow Take Pictures to integrate more easily into the Group’s existing movie production business.

## 4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

### 4.1 Consideration

The total purchase consideration payable by the Company to the Vendors is S\$3,928,572, which shall comprise:

- a) S\$589,286 which shall be satisfied in cash; and
- b) S\$3,339,286 which shall be satisfied by the issuance and allotment of 25,686,816 newly issued ordinary shares of the Company at S\$0.13 per share (the “**Issue Price**”) (the “**Consideration Shares**”)

The total purchase consideration was arrived at following arm’s length negotiations on a willing buyer, willing seller basis, and taking into account, *inter alia*, the Target Company’s unaudited net profit of US\$355,937 (approximately S\$487,585<sup>1</sup>) for the period of 1 January 2017 to 30 September 2017 and unaudited net asset value of US\$908,612 (approximately S\$1,244,674 as at 30 September 2017. The unaudited net tangible asset value of the Target Company amounted to US\$674,849 (approximately S\$924,451 ) as at 30 September 2017.

The Issue Price represents a premium of 12.1% to the volume weighted average price of S\$0.116 for each share, based on the trades done on the SGX-ST on 9 October 2017, being the last full market day prior to the date of the Agreement.

### 4.2 Terms of Payment of the Consideration

The Company shall, upon satisfaction of the conditions precedent as set out in Article 4 of the Agreement and receipt of physical certificate(s) representing the Sale Shares:

- a) with respect to the cash portion of the purchase consideration, pay to the Vendors in cash or via wire/telegraphic transfer into the bank account of the Vendors or into a bank account designated in writing by the Vendors, and
- b) with respect to the share portion of the purchase consideration, transfer 25,686,816 newly issued ordinary shares of the Company to the Vendors.

The cash portion of the purchase consideration amounting to S\$589,286 will be funded via net proceeds raised from the placement of 38.1 million shares in March 2017.

### 4.3 Conditions Precedent

Completion of the Proposed Acquisition (“**Completion**”) is subject to the conditions precedent as set out in Article 4 of the Agreement which includes the veracity of warranty, completion of the Company’s due diligence exercise,

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<sup>1</sup> Based on the exchange rate of SGD1:USD0.73

regulatory approvals, consents of the Board of Directors of the Target Company and the Company.

#### **4.4 Completion Date**

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

### **5. CONSIDERATION SHARES**

The Consideration Shares will be issued pursuant to the general mandate given by the shareholders of the Company at the annual general meeting of the Company held on 27 April 2017 (“**2017 AGM**”) for the Company to issue shares and convertible securities (“**General Mandate**”). Under the General Mandate, the Board is authorised to issue new shares in the capital of the Company (“**Shares**”) not exceeding one hundred per cent (100%) of the total number of Shares (excluding treasury shares) as at the date of the 2017 AGM, of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders must not be more than fifty (50%) per cent of the total number of issued Shares (excluding treasury shares) as at the date of the 2017 AGM.

The Consideration Shares, when allotted and issued in full, will represent approximately 5.55% of the issued share capital of the Company as at 27 April 2017, being 463,031,700 shares (excluding treasury shares), and about 5.27% of the enlarged issued and paid-up share capital of the Company upon completion of the Proposed Acquisition. Accordingly, the maximum number of shares to be issued other than on a pro-rata basis is 231,515,850 shares. The proposed allotment and issuance of 25,686,816 Consideration Shares, when taken together with 28,451,000 new Shares to be issued as consideration for the acquisition of 900,000 common voting shares of Spackman Media Group Limited (contained in a separate announcement today), will fall within the limits of the General Mandate.

The Consideration Shares shall be issued free from all claims, pledges, mortgages, charges, liens and encumbrances and shall rank in all respects pari passu with the then existing issued ordinary shares in the capital of the Company at the time of the issue except that the Consideration Shares will not rank for any dividends, rights, allotments or other distributions the record date for which falls on or before the date of the issue of the Consideration Shares.

### **6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

- 6.1 The financial effects of the Proposed Acquisition 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 Acquisition. The financial effects of the Proposed Acquisition set out below have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016.

### 6.1.1 Loss per share (“LPS”)

#### **FY2016**

Assuming that the Proposed Acquisition had been completed at the beginning of FY2016, the effect of the Proposed Acquisition on the Group’s LPS for FY2016 will be as follows:

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
Loss attributable to shareholders of the Company (US\$’000)	(2,425)	(2,426)
Weighted average number of ordinary shares in issue <sup>(2)</sup>	398,770,209	424,457,025
LPS (US cents)	0.608	0.572

### 6.1.2 Net tangible assets (“NTA”)

#### **FY2016**

Assuming that the Proposed Acquisition had been completed at the end of FY2016, the effect of the Proposed Acquisition on the Group’s NTA as at 31 December 2016 will be as follows:

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
NTA as at 31 December 2016 (US\$)	11,847,617	11,846,120
NTA per Share (US\$)	0.030	0.028
Number of Shares at the end of FY2016	398,770,209	424,457,025

## 7 **RELATIVE FIGURES UNDER CATALIST RULE 1006**

The relative figures computed on the relevant bases set out in Rule 1006 of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual: Section B: Rules of Catalist (the “Catalist Rules”) in respect of the Proposed Acquisition and based on the unaudited financial statements of the Group for three months ended 30 June 2017 (“2Q 2017”) are as follows:

<b>Rule 1006</b>	<b>Base</b>	<b>Relative figure</b>
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable
(b)	The net profit <sup>(1)</sup> attributable to the assets acquired, compared with the Group's net loss <sup>(1)</sup> .	-45.7 <sup>(2)</sup>
(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.	6.7% <sup>(3)</sup>
(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.	5.6% <sup>(4)</sup>
(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) "net profits or loss" means the profit or loss (as the case may be) before income tax, minority interests and extraordinary items.

(2) The relative figure under Catalyst Rule 1006(b) is negative due to the net profits attributable to the Sale Shares of US\$114,558 for 2QFY2017 as compared to the net loss of the Group of US\$0.25 million for 2Q 2017.

(3) Computed based on the total purchase consideration of S\$3.6 million (being the cash consideration of S\$0.59 million and the market value of the Consideration Shares based on the volume weight price of S\$0.116 for the Company's shares (being higher than the Group's unaudited net asset value per share of S\$0.055 as at 30 June 2017) on 9 October 2017, being the market day preceding the date of the Agreement) and the Company's market capitalisation of S\$53.51 million based on its 461,332,600 shares as at the date of this announcement.

(4) Based on 25,686,816 Consideration Shares and 461,332,600 shares of the Company as at the date of this announcement.

As the relative figures computed on the bases set out in Catalyst Rules 1006(c) and (d) above exceed 5.0%, the Proposed Acquisition constitutes a discloseable transaction under Chapter 10 of the Catalyst Rules.

## 8 NO CHANGE IN CONTROL

The issuance and allotment of the Consideration Shares will not result in any transfer of controlling interest in the Company, as Spackman Equities Group Inc. will remain as the sole controlling shareholder of the Company after the completion of the Proposed Acquisition.

None of the Vendors will become substantial shareholders of the Company after the completion of the Proposed Acquisition.

The shareholding interests of the Company's substantial shareholders after the completion of (i) the Proposed Acquisition; and (ii) both the Proposed Acquisition and the proposed acquisition of 900,000 common voting shares of Spackman Media Group Limited ("**SMGL Acquisition**") (contained in a separate announcement today), is set out below:

	As at the date of this announcement		After completion of the Proposed Acquisition		After completion of the Proposed Acquisition and the SMGL Acquisition	
	Total (comprising direct and deemed) interest					
	No. of shares	% <sup>(1)</sup>	No. of shares	% <sup>(2)</sup>	No. of shares	% <sup>(3)</sup>
Spackman Equities Group Inc.	152,120,000	32.97%	152,120,000	31.23%	152,120,000	29.51%
Lee Yoo Jin	23,160,000	5.02%	23,160,000	4.76%	23,160,000	4.49%

Notes:

- (1) Based on 461,332,600 shares (excluding treasury shares) in issue as at the date of this announcement.
- (2) Based on the enlarged share capital of 487,019,416 shares (excluding treasury shares) after the completion of the Proposed Acquisition.
- (3) Based on the enlarged share capital of 515,470,416 shares (excluding treasury shares) after the completion of the both the Proposed Acquisition and the SMGL Acquisition.

## 9 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 Acquisition (other than through their shareholdings in the Company, if any). None of the Directors, controlling shareholders of the Company, or their associates are related to the Vendors.

## 10 ADDITIONAL LISTING APPLICATION

The sponsor of the Company, PrimePartners Corporate Finance Pte. Ltd., will be making an application on behalf of the Company to the SGX-ST for the admission

of the Consideration Shares to Catalist of the SGX-ST and for the listing and quotation of the Consideration Shares on Catalist of the SGX-ST. The Company will make the necessary announcements once the approval-in-principle for the listing and quotation of the Consideration Shares has been obtained from the SGX-ST.

## 11 DIRECTORS' SERVICE CONTRACTS

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

## 12 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 announcement upon completion of the Proposed Acquisition.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman & Chief Executive Officer  
11 October 2017

*This announcement has been prepared by the Company and its contents have been reviewed by the PrimePartners Corporate Finance 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 Ms. Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).*