

APPENDIX TO THE ANNUAL REPORT 2019

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Appendix is issued by Spackman Entertainment Group Limited (the “**Company**”) together with the Company’s annual report for the financial year ended 31 December 2019. Its purpose is to provide Shareholders (as defined herein) with the relevant information relating to the proposed renewal of the share buy back mandate and to seek Shareholders’ approval for the same at the Annual General Meeting of the Company to be convened, details of which will be communicated to Shareholders in due course.

If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company, you should immediately forward this Appendix, the Notice of Annual General Meeting and the attached Proxy Form to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or the transfer was effected, for onward transmission to the purchaser or the transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, RHT Capital Pte. Ltd. (“**Sponsor**”), for compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Appendix.

This Appendix has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Appendix, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Appendix.

The contact person for the Sponsor is Mr Mah How Soon, Registered Professional, RHT Capital Pte. Ltd. at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, telephone: 6381 6966.

spackmanentertainmentgroup

SPACKMAN ENTERTAINMENT GROUP LIMITED

(Company Registration Number 201401201N)
(Incorporated in the Republic of Singapore)

**APPENDIX TO SHAREHOLDERS IN RELATION TO
THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE**

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DEFINITIONS

In this Appendix, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:

“ACRA”	:	Accounting and Corporate Regulatory Authority
“Act” or “Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
“AGM”	:	The annual general meeting of the Company
“Annual Report 2019”	:	The annual report of the Company for the financial year ended 31 December 2019
“Appendix”	:	This Appendix to Shareholders dated 15 April 2020 in respect of the proposed renewal of the share buy back mandate
“Associate”	:	(a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. (b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“Board of Directors” or “Board”	:	The board of directors of the Company as at the date of this Appendix
“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	Section B: Rules of Catalist of the Listing Manual of the SGX-ST as amended, supplemented or modified from time to time
“CDP”	:	The Central Depository (Pte) Limited

DEFINITIONS

<i>“Company”</i>	:	Spackman Entertainment Group Limited
<i>“Constitution”</i>	:	The Constitution of the Company, as amended from time to time
<i>“Control”</i>	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
<i>“Controlling Shareholder”</i>	:	A person who: (a) holds directly or indirectly 15% or more of the issued share capital of the Company; or (b) in fact exercises control over the Company
<i>“Directors”</i>	:	The directors of the Company as at the date of this Appendix
<i>“EPS”</i>	:	Earnings per Share
<i>“FY”</i>	:	Financial year of the Company ended or ending 31 December (as the case may be)
<i>“Group”</i>	:	The Company, its subsidiaries and associated companies, collectively
<i>“Latest Practicable Date”</i>	:	1 April 2020, being the latest practicable date prior to the printing of this Appendix
<i>“LPS”</i>	:	Loss per share
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“NAV”</i>	:	Net assets value
<i>“NTA”</i>	:	Net tangible assets
<i>“Relevant Period”</i>	:	The period commencing from the date on which the ordinary resolution in relation to the renewal of the Share Buy Back Mandate is passed in a general meeting and expiring on the earliest of the date on which the next AGM is held or is required by law to be held, or the date the said mandate is revoked or varied by the Company in a general meeting
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent)

DEFINITIONS

“SFA” or “ <i>Securities and Futures Act</i> ”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share(s)”	:	Ordinary share(s) in the share capital of the Company
“Shareholders”	:	The registered holders of the Shares in the register of members of the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with such Shares
“Share Buy Back Mandate”	:	The proposed general and unconditional mandate given by Shareholders to authorise the Directors to exercise all powers of the Company to purchase or otherwise acquire issued Shares within the Relevant Period, in accordance with the terms set out in this Appendix, as well as the rules and regulations set forth in the Companies Act and the Catalist Rules
“SQG”	:	Spackman Equities Group Inc.
“Substantial Shareholder”	:	A person (including a corporation) who holds, directly or indirectly, 5% or more of the total issued share capital of the Company
“Takeover Code”	:	The Singapore Code on Takeovers and Mergers, and all practice notes, rules and guidelines thereunder, as may from time to time be issued or amended
“Treasury Shares”	:	Issued Shares of the Company which was (or is treated as having been) purchased by the Company in circumstances which Section 76H of the Companies Act applies and has since purchase been continuously held by the Company

Currencies, Units and Others

“SGD”, “S\$”, or “cents”	:	Singapore dollars and cents, respectively
“USD”, “US\$”, or “US cents”	:	United States dollars and cents, respectively
“%” or “per cent”	:	Per centum or percentage

DEFINITIONS

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the same meanings ascribed to them respectively in Section 81SF of the SFA or any statutory modification thereof, as the case may be.

The term “**subsidiary**” shall have the meaning ascribed to it under Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Appendix to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Catalist Rules or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, the Catalist Rules or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference in this Appendix to Shares being allotted to a person includes allotment to CDP for the account of that person.

Any reference to a time of day in this Appendix shall be a reference to Singapore time, unless otherwise stated.

Any discrepancies in this Appendix between the amounts listed and the total thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures which precede them.

LETTER TO SHAREHOLDERS

SPACKMAN ENTERTAINMENT GROUP LIMITED

(Company Registration Number 201401201N)
(Incorporated in the Republic of Singapore)

Directors:

Anthony Wei Kit Wong (Non-Executive and Independent Chairman)
Yoo Jin Lee (Executive Director and Chief Producer)
Na Kyoungwon (Chief Operating Officer, President and Executive Officer)
Richard Lee (Non-Executive Director)
Thong Yuen Siew Jessie (Lead Independent Director)
Ng Hong Whee (Independent Director)

Registered Office:

16 Collyer Quay
#17-00
Singapore 049318

15 April 2020

To: The Shareholders of Spackman Entertainment Group Limited

Dear Shareholder,

1. INTRODUCTION

The Directors are proposing to seek Shareholders' approval at the forthcoming AGM for the proposed renewal of the Share Buy Back Mandate.

The purpose of this Appendix is to provide Shareholders with information relating to, and to seek Shareholders' approval for, the proposed renewal of the Share Buy Back Mandate to be tabled at the forthcoming AGM.

The SGX-ST takes no responsibility for the contents of this Appendix, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Appendix.

2. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

2.1 Background

The Share Buy-Back Mandate was first approved by Shareholders at the annual general meeting of the Company held on 21 April 2015 and last renewed by Shareholders at the annual general meeting held on 30 April 2019. The Share Buy-Back Mandate will, unless renewed again, expire on the date of the forthcoming AGM to be convened. Accordingly, approval is being sought from the Shareholders at the forthcoming AGM for the proposed renewal of the Share Buy-Back Mandate.

If approved by Shareholders at the forthcoming AGM, the authority conferred by the Share Buy Back Mandate will continue to be in force until the next AGM of the Company (whereupon it will lapse, unless renewed at such meeting) or until it is varied or revoked by the Company in general meeting (if so varied or revoked prior to the next AGM) or when share buy-backs pursuant to the Share Buy-Back Mandate have been carried out to the full extent mandated, whichever is earlier.

LETTER TO SHAREHOLDERS

2.2 Rationale for the Share Buy Back Mandate

The Share Buy Back Mandate will give the Directors the flexibility to purchase or acquire the Shares of the Company if and when circumstances permit. The Directors believe that share buy-backs provide the Company and its Directors with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. It also allows the Directors to exercise greater control over the Company's share capital structure, dividend payout and cash reserves with a view to enhancing the EPS and/or NAV per Share.

Pursuant to the Companies Act, Shares purchased or otherwise acquired pursuant to the Share Buy Back Mandate may be held or dealt with as Treasury Shares.

If and when circumstances permit, the Directors will decide whether to effect the Share purchases via on-market purchases or off-market purchases, after taking into account the amount of surplus cash available, the prevailing market conditions and the most cost-effective and efficient approach.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate will only be made when the Directors believe that such purchases or acquisitions would be made in circumstances which would not have a material adverse effect on the financial position of the Company or the Group and when the Directors believe that such purchases or acquisitions would benefit the Company and its Shareholders.

2.3 Terms of the Share Buy Back Mandate

The authority and limitations placed on purchases and acquisitions of Shares by the Company under the Share Buy Back Mandate are summarised below:

2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired by the Company pursuant to the Share Buy Back Mandate during the Relevant Period is limited to that number of Shares representing not more than 10% of the total Shares of the Company excluding treasury shares and subsidiary holdings, ascertained as at the date of the AGM at which the Share Buy Back Mandate is approved (the "**Approval Date**"), unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered. For purposes of calculating the percentage of issued shares above, any of the Shares which are held as Treasury Shares will be disregarded.

For illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date comprising 1,178,046,208 Shares, assuming no further Shares are issued on or prior to the AGM, not more than 117,804,620 Shares (representing 10% of the issued Shares of the Company excluding treasury shares and subsidiary holdings as at the date of the AGM) may be purchased or acquired by the Company pursuant to the Share Buy Back Mandate.

LETTER TO SHAREHOLDERS

2.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made during the Relevant Period, at any time and from time to time, on and from the Approval Date, up to the earlier of:

- (a) the conclusion of the next AGM or the date by which such AGM is required by law to be held;
- (b) the date on which the buy-back of the Shares are carried out to the full extent mandated; or
- (c) the date on which the authority conferred in the Share Buy Back Mandate is varied or revoked by the Shareholders in a general meeting.

The Share Buy Back Mandate may be renewed at each AGM or any other general meeting of the Company.

2.3.3 Manner of Purchase of Shares

Purchases of Shares may be made by way of:

- (a) on-market purchases (“**Market Purchase**”), transacted on the SGX-ST through the ready market and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchase**”) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as defined in Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy Back Mandate, the Catalyst Rules and the Companies Act as they consider fit in the interest of the Company in connection with or in relation to any equal access scheme(s). An Off-Market Purchase must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded:
 - (aa) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

LETTER TO SHAREHOLDERS

(bb) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and

(cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Catalist Rules provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders, which must contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed Share buy-back;
- (d) the consequences, if any, of Share buy-back by the Company that will arise under the Takeover Code or other applicable Takeover rules;
- (e) whether the Share buy-back, if made, would have any effect on the listing of the Shares on Catalist;
- (f) details of any Share buy-back made by the Company in the previous 12 months (whether by way of Market Purchases or Off-Market Purchases in accordance with an equal access scheme), setting out the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares.

2.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchase or acquisition of the Shares, must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter),

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase.

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For the above purposes:

“Average Closing Price” means the average of the closing market prices of the Shares over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, preceding the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five (5)-day period and the day on which the purchases are made.

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased Shares under the Share Buy Back Mandate

At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as Treasury Shares, or partly cancelled and partly kept as Treasury Shares, as the Directors deem fit in the interest of the Company at that time.

2.4.1 Cancellation

Any Share which is purchased or acquired by the Company shall, unless held as Treasury Shares to the extent permitted under the Companies Act, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Shares.

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Companies Act) will be automatically de-listed from Catalist, and certificates (if any) in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

2.4.2 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the provisions on Treasury Shares under the Companies Act are summarised below:

(i) Maximum Holdings

The number of Shares held as Treasury Shares cannot at any time exceed 10% of the total number of issued Shares excluding Treasury Shares and subsidiary holdings. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Companies Act within six (6) months or such further periods as ACRA may allow.

LETTER TO SHAREHOLDERS

(ii) Voting and Other Rights

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of Treasury Shares. However, the allotment of Shares as fully paid bonus shares in respect of Treasury Shares is allowed. A subdivision of any Treasury Shares into Treasury Shares of a larger amount, or consolidation of any Treasury Shares into Treasury Shares of a smaller amount, is also allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.

(iii) Disposal and Cancellation

Where Shares are held as Treasury Shares, the Company may at any time:

- (aa) sell the Treasury Shares for cash;
- (bb) transfer the Treasury Shares for the purposes of, or pursuant to an employees' share scheme of the Company;
- (cc) transfer the Treasury Shares as consideration for the acquisition of Shares in, or assets of, another company or assets of a person;
- (dd) cancel the Treasury Shares; or
- (ee) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister for Finance of Singapore.

The Company, upon undertaking any sale, transfer, cancellation and/or use of Treasury Shares, will comply with Rule 704(31) of the Catalist Rules, which provides that an issuer must make an immediate announcement thereof, stating the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of Treasury Shares sold, transferred, cancelled and/or used;
- (d) number of Treasury Shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of Treasury Shares against the total number of Shares outstanding before and after such sale, transfer, cancellation and/or use; and
- (f) value of the Treasury Shares if they are used for a sale or transfer, or cancelled.

LETTER TO SHAREHOLDERS

2.5 Source of Funds for Share Buy Back

In purchasing or acquiring Shares, the Company may only apply funds legally available for such purchase in accordance with its Constitution, and the applicable laws in Singapore. The Company may not buy Shares on Catalist for a consideration other than cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the Catalist Rules. As stated in the Companies Act, the Share buy-back may be made out of the Company's profits or capital so long as the Company is solvent (as defined in Section 76F(4) of the Companies Act).

In determining whether the Company is solvent, the Directors must have regard to the most recently audited financial statements, other relevant circumstances, and may rely on valuations or estimates of assets or liabilities. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any counter-claims by the Company.

When Shares are purchased or acquired, and cancelled:

- (a) if the Shares are purchased or acquired entirely out of the capital of the Company, the Company shall reduce the amount of its share capital by the total amount of the purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax, clearance fees and other related expenses) (the "**Purchase Price**") and the amount available for the distribution of dividends by the Company will not be reduced;
- (b) if the Shares are purchased or acquired entirely out of profits of the Company, the Company shall reduce the amount of its profits and the amount available for distribution of dividends by the total amount of the Purchase Price; or
- (c) where the Shares are purchased or acquired out of both the capital and the profits of the Company, the Company shall reduce the amount of its share capital and profits proportionately by the total amount of the Purchase Price.

The Company may use internal resources and/or external borrowings to finance purchases of its Shares pursuant to the Share Buy Back Mandate.

The Directors do not propose to exercise the Share Buy Back Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially adversely affected.

2.6 Takeover Implications under the Takeover Code

The Takeover implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.6.1 Appendix 2 of the Takeover Code

Appendix 2 of the Takeover Code contains the Share Buy-back Guidance Note applicable as at the Latest Practicable Date. The Takeover implications arising from any purchase or acquisition by the Company of its Shares are set out in paragraph 2.6 of this Appendix.

LETTER TO SHAREHOLDERS

2.6.2 Obligation to make a Takeover offer

Rule 14 of the Takeover Code (“**Rule 14**”) requires, *inter alia*, that except with the consent of the SIC, where:

- (a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or
- (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights,

such person shall extend immediately an offer on the basis set out below to the holders of any class of shares in the capital which carries votes and in which such person or persons acting in concert with him hold shares. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

In calculating the percentages of voting rights of such person and their concert parties, Treasury Shares shall be excluded.

2.6.3 Persons acting in concert

Persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely, (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts) and (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, ownership or control of 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

Consequently, a Director and persons acting in concert (as such term is defined in the Takeover Code) with him could, depending on the level of increase in his/her or their interest in the Company, become obliged to make a mandatory offer in accordance with Rule 14 as a result of the Company’s buy-back of Shares.

LETTER TO SHAREHOLDERS

Unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a Takeover offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by 1% in any period of six (6) months.

Further details of the interests of the Directors and Substantial Shareholders of the Company in the Shares of the Company as at the Latest Practicable Date are set out in Section 3 of this Appendix.

2.6.4 Effect of Rule 14 and Appendix 2 of the Takeover Code

In general terms, the effect of Rule 14 and Appendix 2 of the Takeover Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a Takeover offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares:

- (a) the voting rights of such Directors and persons acting in concert with them would increase to 30% or more; or
- (b) in the event that such Directors and persons acting in concert with them hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and persons acting in concert with them would increase by more than 1% in any period of six (6) months.

Under Appendix 2 of the Takeover Code, a Shareholder not acting in concert with the Directors will not be required to make a Takeover offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares:

- (i) the voting rights of such Shareholder would increase to 30% or more; or
- (ii) if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months.

Such Shareholder need not abstain from voting in respect of the ordinary resolution authorising the Share Buy Back Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory Takeover offer under the Takeover Code as a result of any purchase or acquisition of Shares by the Company should consult their professional advisers and/or SIC and/or other relevant authorities at the earliest opportunity.

LETTER TO SHAREHOLDERS

2.7 Financial Impact

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Buy Back Mandate on the financial effects as it would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. The financial effects presented in this Section of this letter are based on the assumptions set out below:

(a) Information as at the Latest Practicable Date

As at the Latest Practicable Date, the Company has 1,178,046,208 issued Shares.

(b) Illustrative Financial Effects

Purely for illustrative purposes, on the basis of 1,178,046,208 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as Treasury Shares on or prior to the AGM, the purchase by the Company of 10% of its issued Shares excluding treasury shares and subsidiary holdings will result in the purchase of 117,804,620 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 117,804,620 Shares at the Maximum Price of S\$0.008 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 117,804,620 Shares is approximately S\$942,437 (or US\$703,311) as translated based on the exchange rate of US\$1 to S\$1.34 as at 31 December 2019).

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 117,804,620 Shares at the Maximum Price of S\$0.009 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 117,804,620 Shares is approximately S\$1,060,242 (or US\$791,225) as translated based on the exchange rate of US\$1 to S\$1.34 as at 31 December 2019).

LETTER TO SHAREHOLDERS

For illustrative purposes only and on the basis of the assumptions set out above and assuming that the buy-back will be funded by the Company solely from its internal funds, the financial effects of:

- (i) the acquisition of 10% of the issued Shares of the Company excluding treasury shares and subsidiary holdings by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Buy Back Mandate by way of purchases made entirely out of capital and held as treasury shares (“**Scenario A**”); and
- (ii) the acquisition of 10% of the issued Shares of the Company excluding treasury shares and subsidiary holdings by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Buy Back Mandate by way of purchases made entirely out of capital and cancelled (“**Scenario B**”),

on the audited consolidated financial results of the Group for FY2019, are set out below.

Based on the audited financial statements of the Company and the Group for FY2019, the Company and the Group has no distributable profits to effect any Share buyback. As such, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of Market Purchases and Off-Market Purchases made entirely out of profits is not disclosed in this Appendix.

Scenario A

	Group		
	After Share Buy Back		
<i>(US\$'000)</i>	Before Share Buy Back	After Market Purchase	After Off-Market Purchase
Share Capital and Reserves	50,907	50,907	50,907
Treasury Shares	–	(703)	(791)
Total Shareholders' Equity	50,907	50,204	50,116
NTA attributable to shareholders	28,910	28,207	28,119
Current Assets	17,610	16,907	16,819
Current Liabilities	12,854	12,854	12,854
Working Capital	4,756	4,053	3,965
Total Borrowings	8,605	8,605	8,605
Profit attributable to equity holders of the Company	(3,156)	(3,156)	(3,156)
Number of shares	1,178,046,208	1,060,241,588	1,060,241,588
Financial Ratios			
NTA per share (US cents)	2.45	2.66	2.65
Gearing (times)	0.17	0.17	0.17
Current Ratio (times)	1.37	1.32	1.31
Basic EPS (US cents)	-0.27	-0.30	-0.30

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Scenario B

<i>(US\$'000)</i>	Group		
	After Share Buy Back		
	Before Share Buy Back	After Market Purchase	After Off-Market Purchase
Share Capital and Reserves	50,907	50,204	50,116
Treasury Shares	–	–	–
Total Shareholders' Equity	50,907	50,204	50,116
NTA	28,910	28,207	28,119
Current Assets	17,610	16,907	16,819
Current Liabilities	12,854	12,854	12,854
Working Capital	4,756	4,053	3,965
Total Borrowings	8,605	8,605	8,605
Profit attributable to equity holders of the Company	(3,156)	(3,156)	(3,156)
Number of shares	1,178,046,208	1,060,241,588	1,060,241,588
Financial Ratios			
NTA per share (US cents)	2.45	2.66	2.65
Gearing (times)	0.17	0.17	0.17
Current Ratio (times)	1.37	1.32	1.31
Basic EPS (US cents)	-0.27	-0.30	-0.30

The actual impact will depend on the number and price of the Shares bought back. As stated, the Directors do not propose to exercise the Share Buy Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements and/or gearing of the Group. The purchase of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The Share Buy Back Mandate will be exercised with a view to enhance the EPS and/or NAV per Share of the Group.

Shareholders should note that the financial effects illustrated above, based on the respective aforesaid assumptions, are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited accounts of the Group for FY2019, and is not necessarily representative of the future financial performance of the Group.

It should be noted that although the Share Buy Back Mandate would authorise the Company to purchase or otherwise acquire up to 10% of the issued Shares excluding treasury shares and subsidiary holdings, the Company may not necessarily purchase or acquire or be able to purchase or otherwise acquire the entire 10% of the issued Shares. In addition, the Company may cancel, or hold as Treasury Shares, all or part of the Shares purchased or otherwise acquired. The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

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2.8 Taxation

Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisors.

2.9 Interested Persons

The Company is prohibited from knowingly buying Shares on Catalist from an interested person, that is, a Director, the chief executive officer of the Company or Controlling Shareholder of the Company or any of their Associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

2.10 Reporting Requirements under the Companies Act

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA. Within 30 days of a purchase of Shares on Catalist or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including, *inter alia*, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

2.11 Catalist Rules

2.11.1 As at the Latest Practicable Date, approximately 74.54% of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) are held in the hands of the public. Assuming that the Company repurchased the maximum of 10% of its issued share capital (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date from members of the public by way of a Market Purchase, the percentage of Shares held by the public would be approximately 71.71%.

Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares excluding treasury shares and subsidiary holdings up to the full 10% limit pursuant to the Share Buy Back Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to adversely affect the orderly trading of Shares.

The Directors will use their best efforts to ensure that the Company does not effect buy back of Shares if the buy-back of Shares would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company or adversely affect the orderly trading of the Shares.

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- 2.11.2 Under the Catalist Rules, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.3.4 of this Appendix, conforms to this restriction.

Additionally, the Catalist Rules also specifies that a listed company shall report all purchases or acquisitions of its Shares to the SGX-ST not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its Shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement shall include, *inter alia*, details of the total number of Shares authorised for purchase, the date of purchase, the total number of Shares purchased, the purchase price per Share or (in the case of Market Purchases) the purchase price per Share or the highest price and lowest price per Share, the total consideration paid for the Shares and the number of issued Shares after purchase, in the form prescribed under the Catalist Rules.

While the Catalist Rules does not expressly prohibit any purchase of Shares by a listed company during any particular time, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued Shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buy Back Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. Further, in conformity with the best practices on dealing with securities under the Catalist Rules, the Company will not purchase or acquire any Shares through Market Purchases during the period commencing two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year, or one month immediately preceding the announcement of the Company’s full year financial statements.

2.12 Details of the Shares Bought by the Company in the Previous 12 Months

17,919,400 Shares have been purchased by the Company in the 12 months preceding the Latest Practicable Date, details of which are set out below.

Date of purchase	Type of purchase	Number of Shares purchased	Highest price per share paid (\$)	Lowest price per share paid (\$)	Total consideration paid for the purchases (\$)
23 December 2019	Market Purchase	10,000,000	0.014	0.014	140,434.42
24 December 2019	Market Purchase	2,000,000	0.015	0.015	30,093.09
3 January 2020	Market Purchase	5,919,400	0.016	0.016	95,004.29

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3. INTERESTS OF THE DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date are set out below:

	Before the Share Buy-Back		After the Share Buy-Back	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾
Directors				
Anthony Wei Kit Wong	–	–	–	–
Yoo Jin Lee	23,160,000	1.97	23,160,000	2.18
Na Kyoungwon	1,026,800	0.09	1,026,800	0.10
Richard Lee	1,013,900	0.09	1,013,900	0.10
Thong Yuen Siew Jessie	–	–	–	–
Ng Hong Whee	–	–	–	–
Substantial Shareholder (other than Directors)				
SQG	143,521,000	12.18	143,521,000	13.54
Tan Chong Koay	68,865,800	5.85	68,865,800	6.62
Smalltalk Production House Pte Ltd	58,918,657	5.00	58,918,657	5.56

Notes:

- (1) The percentage is calculated based on issued number of Shares of the Company of 1,178,046,208 Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.
- (2) Assuming the Company purchases or acquires the maximum number of Shares pursuant to the proposed Share Buy Back Mandate, the percentage after the Share buy-back is calculated based on 1,060,241,588 Shares (excluding treasury shares and subsidiary holdings).

Neither the Directors nor the Controlling Shareholders of the Company (other than in his capacity as a Director or Shareholder of the Company) has any interest, direct or indirect in the proposed Share Buy Back Mandate.

4. DIRECTORS' RECOMMENDATION

The Directors, having carefully considered the terms and rationale of the proposed renewal of the Share Buy Back Mandate, are of the opinion that the proposed renewal of the Share Buy Back Mandate is in the best interest of the Company and they recommend that Shareholders vote in favour of the proposed renewal of the Share Buy Back Mandate at the AGM.

5. ANNUAL GENERAL MEETING

The AGM, details of which will be communicated in due course, will be held for the purpose of, *inter alia*, considering and, if thought fit, passing, with or without any modification(s), the ordinary resolution relating to the proposed renewal of the Share Buyback Mandate which will be set out in the Notice of AGM. For the avoidance of doubt, the Notice of AGM will be despatched to Shareholders once the arrangements of the AGM have been confirmed.

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6. ACTIONS TO BE TAKEN BY SHAREHOLDERS

The Company is currently making arrangements to hold the AGM in a manner that will facilitate shareholders' participation. In doing so, the Company will take into account the elevated set of safe distancing measures that was introduced by the Multi-Ministry Taskforce on COVID-19 on 3 April 2020, as a circuit breaker to pre-empt the trend of increasing local transmission of COVID-19. Further to this, the Company is also looking into the COVID-19 (Temporary Measures) Act 2020 that was passed by Parliament on 7 April 2020 to ascertain the most practical arrangement for the AGM.

At this juncture, the Company intends to despatch the physical copies of the Annual Report, Appendix, and Proxy Form to Shareholders after it has finalised the necessary arrangements for the AGM. The Company also strongly encourage all Shareholders to complete, sign and return the Proxy Form enclosed with the Notice of AGM in accordance with the instructions printed therein as soon as possible and, in any event, not less than seventy-two (72) hours before the time fixed for the AGM. Shareholders must appoint the chairman of the AGM to act as proxy and direct the vote at the AGM.

The Company will make a separate announcement on the finalised arrangement for the AGM in due course.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buy Back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts or the omission of which would make any statement in this Appendix misleading.

Where information in the Appendix 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 the Appendix in its proper form and context.

8. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 16 Collyer Quay, #17-00, Singapore 049318 during normal business hours from the date of this Appendix up to the date of the AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report 2019.

Shareholders are, however, reminded to adhere to the relevant advisories and guidelines issued or to be issued by the Multi-Ministry Taskforce on COVID-19.

Yours faithfully
For and on behalf of the Board of Directors
Spackman Entertainment Group Limited

Na Kyoungwon
Chief Operating Officer, President and Executive Director

