

spackmanentertainmentgroup

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

- (1) **TERMINATION OF AGREEMENT FOR THE PROPOSED DISPOSAL OF 51.36% OF UAA KOREA CO., LTD. ("UAA")**
 - (2) **PROPOSED RESTRUCTURING OF LOSS-MAKING ASSETS IN CONNECTION WITH THE COMPANY'S ENTIRE EQUITY INTEREST IN ITS INDIRECT WHOLLY-OWNED SUBSIDIARY, OPUS PICTURES LIMITED LIABILITY COMPANY, AND INDIRECT 51.50% SUBSIDIARY, UAA**
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1. **TERMINATION OF THE PROPOSED DISPOSAL OF 51.36% OF UAA**

The Board of Directors (the "**Board**" or the "**Directors**") of Spackman Entertainment Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the announcement dated 30 December 2015 with regard to the proposed disposal of 51.36% of UAA ("**Proposed Disposal**"). The Board wishes to announce that the sale and purchase agreement has been terminated upon mutual agreement between Spackman Entertainment Group (HK) Limited and Spackman Media Group Limited.

2. **INTRODUCTION TO THE PROPOSED RESTRUCTURING**

The Board wishes to announce that the Company and the Company's wholly-owned subsidiaries, Spackman Entertainment Group (HK) Limited ("**SEGHK**") and Spackman Equities Limited ("**SEL**") (SEGHK and SEL being collectively, the "**Vendors**"), have, on 19 April 2016, entered into a conditional share sale and purchase agreement (the "**Agreement**") with Tae Hun Lee (the "**Purchaser**") for the sale of the Vendors' entire shareholding interest in Opus Pictures Limited Liability Company ("**Opus Pictures**") and UAA (collectively, the "**Sale Shares**") to the Purchaser (the "**Proposed Restructuring**").

Upon completion of the Proposed Restructuring, Opus Pictures and UAA will cease to be subsidiaries of the Company and the Company will no longer hold any equity interest in both companies.

The Proposed Restructuring is a major transaction under Rule 1014 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

3. **INFORMATION ON OPUS PICTURES, UAA AND THE PURCHASER**

The Sale Shares comprise: (i) 660,000 common voting shares owned by the Vendors representing 100% of the equity interest in Opus Pictures; and (ii) 12,181 common voting shares owned by SEGHK representing 51.36% of the equity interest in UAA. Opus Pictures holds 0.14% of UAA directly.

The proportion of the Vendors' shareholding interest in Opus Pictures is as follows:

Name of Vendor	Number of common voting shares in Opus Pictures	Proportion of equity interest in Opus Pictures
SEGHK	658,110	99.7%
SEL	1,890	0.3%

Both Opus Pictures and UAA are incorporated in the Republic of Korea.

Opus Pictures is principally engaged in the production, importation and exportation, investment, distribution and promotion of films. UAA is principally engaged in the business of talent management, development, importation and exportation, investment, distribution and promotion of motion pictures.

The Purchaser is the former Executive Director and Chief Executive Officer of the Company. As at the date of this announcement, he is a substantial shareholder of the Company and the beneficial owner of 28,360,000 ordinary shares of the Company ("**Shares**"), representing approximately 7.11% of the issued and paid-up share capital of the Company. None of the Directors or the controlling shareholders of the Company are related to the Purchaser.

4. RATIONALE FOR THE PROPOSED RESTRUCTURING

(a) OPUS PICTURES

The Proposed Restructuring would allow the Company to dispose of its major loss-making asset, Opus Pictures.

Since June 2014, except for *THE PRIESTS* (produced by the Company's indirect wholly-owned subsidiary, Zip Cinema Co., Ltd. ("**Zip Cinema**")), the other six theatrical films presented, produced and/or invested by Opus Pictures had performed below expectations at the Korean box office, resulting in losses incurred from the investments made into such theatrical films. The six theatrical films are *FOR THE EMPEROR* (2014), *CONFESSION* (2014), *BIG MATCH* (2014), *WONDERS* (2015), *CHASING* (2016), and *MUSUDAN* (2016).

These six film projects had recorded an aggregate loss of KRW 10.7 billion (or US\$9.3 million¹) with a negative 50% rate of return to investors. Please refer to the **Appendix** to this announcement for further details.

In addition, Opus Pictures had been loss making since the financial year ended 31 December ("**FY**") 2014, in which a loss before tax of US\$3.1 million and US\$2.2 million were recorded in FY2014 and FY2015, respectively. Opus Pictures is also in an audited net liabilities position of US\$2.0 million as at 31 December 2015. For FY2015, Opus Pictures incurred selling and general and administrative expenses ("**SG&A**") of US\$2.5 million, which made up 41% of the Group's total SG&A. The sale of Opus Pictures would

¹ The exchange rate used in this announcement is US\$1 to KRW 1149.74, unless otherwise stated.

hence enable the Company to reduce its fixed overheads and operating expenses significantly.

(b) UAA KOREA CO., LTD.

The Group currently holds an indirect 51.50% interest in UAA, and at the time of the acquisition of a majority stake in UAA (resulting from the exercise of the convertible notes of UAA which were held by the Company prior to the Company's listing on the Catalist of the SGX-ST) on 31 December 2014, UAA had three (3) artistes under its management.

UAA had recorded an audited profit before tax of US\$0.4 million and net profit after tax of US\$0.2 million for FY2015. The audited net asset value of UAA as at 31 December 2015 was US\$2.6 million. Further to the termination of the Proposed Disposal as described in paragraph 1 of this announcement, UAA will be disposed to the Purchaser instead as part of the Proposed Restructuring.

The Proposed Restructuring will enable the Group to streamline its core operations and to better focus its resources on its profitable theatrical film business as carried out through its subsidiaries, Zip Cinema (100% owned) and Novus Mediacorp Co., Ltd. (51.0% owned). The Group believes that the Proposed Restructuring will improve the future operational and financial performance of the Group.

5. PRINCIPAL TERMS OF THE PROPOSED RESTRUCTURING

5.1 Consideration

The consideration for the Proposed Restructuring ("**Purchase Consideration**") is US\$1.86 million which will be satisfied by way of a selective share buyback of 14,180,000 Shares ("**Consideration Shares**") from the Purchaser, to be effected by the Company pursuant to Section 76D of the Companies Act (Chapter 50) of Singapore ("**Companies Act**") (the "**Selective Share Buyback**") upon Closing (as defined below). Further details on the Selective Share Buyback are set out below.

The Purchase Consideration was arrived at following arm's length negotiation on a willing buyer, willing seller basis, after taking into account the audited net liabilities position of Opus Pictures of US\$2.0 million as at 31 December 2015 and 51.36% of the audited net asset value of UAA of US\$1.4 million as at 31 December 2015, based on the audited consolidated financial statements of the Group for FY2015, and the volume weighted average price ("**VWAP**") of the Company's Shares on 18 April 2016 (being the last full market day where the Shares were traded preceding the date of the Agreement) of S\$0.1315.

A nominal consideration of S\$1 is payable by the Company for the Selective Share Buyback. Accordingly, the net purchase consideration for the Proposed Restructuring is US\$1.86 million (the "**Net Purchase Consideration**"), which represents an excess over the aggregated audited net liabilities value of Opus Pictures and 51.36% UAA of US\$0.6 million as at 31 December 2015, and is expected to be recorded as a net gain on disposal upon completion of the Proposed Restructuring and the Selective Share Buyback.

The Consideration Shares will be held as treasury shares of the Company.

5.2 Conditions Precedent

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

- (a) at and as of the Closing (as defined below), all the warranties set forth in the Agreement 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 having performed their individual and corporate actions and complied with all agreements as required by the Agreement to be performed or complied by them;
- (b) the Vendors having obtained all necessary regulatory approvals and consents, including but not limited to approvals from the Vendors' continuing sponsor and the necessary clearance from and consultation with the SGX-ST (if necessary), 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 transaction being obtained, and where such approvals or consents are subject to conditions pertaining to and are to be complied with by the Purchaser, such conditions being reasonably acceptable to the Purchaser;
- (c) the consents of the Board of Directors and shareholders of the Company ("**Shareholders**"), if required; and
- (d) the transactions contemplated under the Agreement being in compliance with Section 76D of the Companies Act.

5.3 Completion Date

Closing of the Agreement and the sale and purchase of the Sale Shares ("**Closing**") shall take place on the date on which all the conditions precedent have been fulfilled.

6. SELECTIVE SHARE BUYBACK

The Purchase Consideration will be satisfied by way of the Selective Share Buyback of the Consideration Shares at a price of S\$0.1315 being the VWAP of the Company's Shares on 18 April 2016 (being the last full market day where the Shares were traded preceding the date of the Agreement) for each Consideration Share from the Purchaser, to be effected by the Company, pursuant to Section 76D of the Companies Act.

Section 76D of the Companies Act requires, *inter alia*:

- (a) the terms of the Agreement to be authorised by a special resolution of Shareholders, with no votes being cast by the Purchaser or his associated persons. For the purposes of this paragraph, "associated person" in relation to a person means the person's spouse, child or step-child, or a person who would, by virtue of Section 7(5) of the Companies Act, be treated as an associate of the first-mentioned person;

- (b) the notice specifying the intention to propose such special resolution (i) specifying the date on which the authority is to expire, being a date that must not be later than the date on which the next annual general meeting of the Company is or is required by law to be held, whichever is the earlier; and (ii) specifying the source of funds to be used for the purchase or acquisition including the amount of financing and its impact on the Company's financial position;
- (c) such special resolution stating the expiry date referred to in paragraph (b); and
- (d) a copy of the Agreement being made available for inspection by Shareholders both at the registered office of the Company for not less than 15 days ending with the date of the meeting at which the resolution is passed; and at the meeting itself.

Accordingly, the Company intends to convene an extraordinary general meeting ("**EGM**") to obtain Shareholders' approval for the Selective Share Buyback.

The nominal consideration of S\$1 for the Selective Share Buyback will be funded by the Group's internal sources of funds and is not expected to have any material impact on the Group's net tangible assets per Share for FY2016.

7. RELATIVE FIGURES FOR THE PROPOSED RESTRUCTURING

The relative figures computed on the bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Restructuring and based on the audited financial statements of the Group for FY2015 are as follows:

Rule 1006	Base	Relative figure
(a)	The net asset value (" NAV ") of the assets to be disposed of, compared with the Group's NAV.	(3.7)% ⁽¹⁾
(b)	The net loss attributable to the assets disposed of, compared with the Group's net loss.	291.6% ⁽²⁾
(c)	The aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	3.5% ⁽³⁾
(d)	The number of equity securities issued as consideration for the acquisition, compared with the number of equity securities previously issued.	Not applicable

Rule 1006	Base	Relative figure
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of compared with the aggregate of the group's proved 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

Notes:

- (1) Based on (a) the aggregated audited net liabilities of approximately US\$0.61 million attributable to the Company's 100% stake in Opus Pictures and the Company's 51.36% stake in UAA and (b) the audited net asset value of the Group of approximately US\$16.69 million as at 31 December 2015.
- (2) Based on (a) the aggregated audited loss before income tax, non-controlling interests and extraordinary items of approximately US\$1.99 million attributable to the Company's 100% stake in Opus Pictures and the Company's 51.36% stake in UAA and (b) the Group's audited loss before tax from continuing and discontinued operations for FY2015 of approximately US\$0.68 million. The Group's audited profit from discontinued operations for FY2015 relates to the profit attributable to UAA in connection with the proposed disposal of 51.36% of UAA as described in the Company's announcement dated 30 December 2015. Subsequently, as described in paragraph 1 of this announcement, the proposed disposal has been terminated. Accordingly, such profits attributable to UAA had been included in computing the Group's net loss for the purposes of Rule 1006(b) of the Catalist Rules.
- (3) Based on the Net Purchase Consideration of approximately US\$1.86 million and the Company's market capitalisation of approximately S\$52.44 million (computed based on the volume weighted average price of S\$0.1315 on 18 April 2016 (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 figure computed on the bases set out in Rule 1006(b) of the Catalist Rules above exceed 50%, the Proposed Restructuring constitutes a "Major Transaction" under Chapter 10 of the Catalist Rules and is subject to the approval of the Company's shareholders.

Accordingly, in addition to the Selective Share Buyback, the Company intends to seek the approval of shareholders for the Proposed Restructuring at the EGM.

The resolutions for the Selective Share Buyback and the Proposed Restructuring will be inter-conditional.

8. FINANCIAL EFFECTS OF THE PROPOSED RESTRUCTURING AND THE SELECTIVE SHARE BUYBACK

The financial effects of the Proposed Restructuring and the Selective Share Buyback 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 Restructuring and the Selective Share Buyback. The financial effects of the Proposed Restructuring and the Selective Share Buyback set out below have been prepared based on the audited consolidated financial statements of the Group for FY2015.

Loss per Share ("LPS")

Assuming that the Proposed Restructuring and the Selective Share Buyback had been completed at the beginning of FY2015, the effect of the Proposed Restructuring and the Selective Share Buyback on the Group's LPS for FY2015 will be as follows:

	Before the Proposed Restructuring	After the Proposed Restructuring and the Selective Share Buyback
(Loss)/ Profit attributable to shareholders of the Company (US\$'000)	(1,114)	982
Weighted average number of ordinary shares in issue	398,694,369	384,514,369
(LPS)/Earnings per Share (US cents)	(0.28)	0.26

Net tangible assets ("NTA")

Assuming that the Proposed Restructuring and the Selective Share Buyback had been completed at the end of FY2015, the effect of the Proposed Restructuring and the Selective Share Buyback on the Group's NTA as at 31 December 2015 will be as follows:

	Before the Proposed Restructuring	After the Proposed Restructuring and the Selective Share Buyback
NTA attributable to the shareholders of the Company (US\$'000) ⁽¹⁾	4,171	11,567
Number of ordinary shares in issue	398,770,209	384,590,209
NTA per share (US cents)	1.05	3.01
Adjusted NTA attributable to the shareholders of the Company (US\$'000) ⁽²⁾	12,605	14,836
Adjusted NTA per share (US cents)	3.16	3.86

Notes:

- (1) Computed based on the Group's net assets less non-controlling interests and intangible assets. The Group's intangible assets include film production inventories of US\$8.4 million.
- (2) Computed based on the Group's net assets less non-controlling interests and intangible assets but adjusted to exclude film production inventories of US\$8.4 million from intangible assets.

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 Restructuring and the Selective Share Buyback (other than through their shareholdings in the Company, if any).

10. DIRECTORS' SERVICE CONTRACTS

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

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 Restructuring and the Selective Share Buyback, the Company and its subsidiaries, 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. CIRCULAR TO SHAREHOLDERS

A circular to Shareholders, together with the notice of the EGM to be convened, to seek Shareholders' approval for the Proposed Restructuring and the Selective Share Buyback will be despatched to Shareholders in due course.

13. DOCUMENTS FOR INSPECTION

A copy of the Agreement of the Company will be available for inspection during normal business hours at 16 Collyer Quay, #17-00, Singapore 049318 for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman
19 April 2016

Appendix: Performance of Theatrical Films by Opus Pictures since June 2014

	<i>FOR THE EMPEROR</i>	<i>CONFESSION</i>	<i>BIG MATCH</i>	<i>WONDERS</i>	<i>CHASING</i>	<i>MUSUDAN</i>	TOTAL
Producer	Opus Pictures	Opus Pictures	BK Pictures	TPS Company	The Queen D&M	Golden Tide	
Presenter	Opus Pictures	United Pictures	Opus Pictures	Opus Pictures	Opus Pictures	Opus Pictures	
Distributor	United Pictures	CJ E&M	NEW	Opus Pictures	Opus Pictures	Opus Pictures	
Date of Release	11-Jun-14	10-Jul-14	27-Nov-14	2-Apr-15	7-Jan-16	3-Mar-16	
Total Admission Tickets ⁽¹⁾	592,367	407,235	1,177,438	31,137	54,995	15,882	2,279,054
Total Box Office Revenues (KRW 'bil) ⁽²⁾	4.75	3.22	8.95	0.24	0.41	0.13	17.70
Yearly Rank	68	85	48	223	21 of 30 ⁽²⁾	27 of 30 ⁽²⁾	
Project Total Revenue(KRW 'bil) (A)	3.84	2.18	5.26	0.21	0.55	0.39	12.43
Total production costs (KRW 'bil) (B)	4.03	4.61	8.00	0.43	2.10	2.20	21.37
Total distribution expenses (KRW 'bil) (C)	0.35	0.33	0.87	0.03	0.08	0.08	1.74
Total costs (D=B+C)	4.39	4.94	8.87	0.46	2.18	2.28	23.11
(Loss) from film (KRW 'bil) (A-D)	(0.55)	(2.77)	(3.61)	(0.25)	(1.63)	(1.89)	(10.70)
Rate of return from film (KRW 'bil) (D/B)	-14%	-60%	-45%	-59%	-78%	-86%	-50%

Notes:

(1) Source: Korea Film Council (KOFIC): www.kobis.or.kr

(2) As of March 2016

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.