

spackmanentertainmentgroup

SPACKMAN ENTERTAINMENT GROUP LIMITED

(Company Registration No.: 201401201N)

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

SHARE SALE AND PURCHASE AGREEMENT BETWEEN SPACKMAN ENTERTAINMENT GROUP LIMITED AND CERTAIN EXISTING SHAREHOLDERS OF ASSOCIATED COMPANY, SPACKMAN MEDIA GROUP LIMITED

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Spackman Entertainment Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company (the “**Purchaser**”) has on 21 May 2018 entered into a share sale and purchase agreement (the “**SPA**”) with certain existing shareholders of the Company’s associated company, Spackman Media Group Limited (“**SMGL**”) (the “**Vendors**”). Under the SPA, the Purchaser shall purchase an aggregate of 2,300,000 common voting shares of SMGL (the “**Sale Shares**”), representing 7.52% equity interest of SMGL, at US\$3 per SMGL share for a purchase consideration comprising newly issued ordinary shares of the Company with total value of US\$6.90 million.

Upon completion of the SPA, the Company’s shareholding interest in SMGL will increase from 33.76% to 41.28%.

The Vendors are all unrelated third parties of the Company, the Directors and the substantial shareholders of the Company.

2. SPACKMAN MEDIA GROUP LIMITED

SMGL which is incorporated in Hong Kong and together with its subsidiaries, is collectively one of the largest entertainment talent agencies in Korea in terms of the number of artists under management, including some of the top names in the Korean entertainment industry. SMGL operates its talent management business through renowned agencies such as MS Team Entertainment Co., Ltd., UAA & Co Inc., Fiftyone K Inc., SBD Entertainment Inc., and Kook Entertainment Co., Ltd.

SMGL, through its full-service talent agencies in Korea, represents and guides the professional careers of a leading roster of award-winning actors/actresses in the practice areas of motion pictures, television, commercial endorsements, and branded entertainment. SMGL leverages its unparalleled portfolio of artistes as a platform to develop, produce, finance and own the highest quality of entertainment content projects, including theatrical motion pictures, variety shows, and TV dramas. This platform also creates and derives opportunities for SMGL to make strategic investments in development stage businesses that can collaborate with SMGL artists.

Based on the audited financial statements of SMGL for the full year ended 31 December 2017, the profit before tax of the SMGL was US\$269,560 and the net tangible asset and net asset value of SMGL as 31 December 2017 was US\$7.9 million and US\$12.7 million respectively.

3. SALIENT TERMS OF THE SPA

3.1 Purchase Consideration

The Purchaser shall purchase the Sale Shares with 101,607,865 newly issued ordinary shares of the Company (“**New SEGL Shares**”) at the issue price of S\$0.09 (“**Issue Price**”) per New SEGL Share, with total value of USD6,900,000 (equivalent to approximately S\$9,144,708¹) (hereinafter referred to as the “**Purchase Consideration**”).

The Issue Price of S\$0.09 is at a premium of 26.8% over the volume weighted average price of S\$0.071 for trades done on the issued and paid-up ordinary shares of the Company on the Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 18 May 2018, being the market day preceding the date of the SPA.

The Purchase Consideration was arrived at following arm’s length negotiations on a willing buyer, willing seller basis, and taking into account the growth strategies of both the Company and its associated company, SMGL, in the Group’s objective to be a leading entertainment group in driving primary content creation and content production.

3.2 Payment & Completion

The Company shall issue and allot the New SEGL Shares to the Vendors upon satisfaction of the conditions set out in Article 4 in the SPA (mainly on the Representation and Warranties, Veracity of Warranty and the necessary regulatory approvals and consents) and receipt of physical certificate(s) representing the Sale Shares of the Vendors.

4. NEW SEGL SHARES TO BE ALLOTTED AND ISSUED

The New SEGL 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 26 April 2018 (“**2018 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 2018 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 per cent (50%) of the total number of issued Shares (excluding treasury shares) as at the date of the 2018 AGM.

The New SEGL Shares, when allotted and issued in full, will represent approximately 14.67% of the issued share capital of the Company as at 26 April 2018 and the date of this announcement, being 692,673,709 shares, and about 12.79% of the enlarged issued and paid-up share capital of the Company upon completion of the SPA. As no shares were previously issued under the General

¹ Based on the exchange rate of USD1:S\$1.325

Mandate prior to the SPA, the maximum number of shares to be issued other than on a pro-rata basis is 346,336,854 shares. The proposed allotment and issuance of 101,607,865 New SEGL Shares will fall within the limits of the General Mandate.

The New SEGL 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 New SEGL 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 New SEGL Shares.

5. ADDITIONAL LISTING APPLICATION

The sponsor of the Company (the “**Sponsor**”), RHT Capital Pte. Ltd., will be making an application on behalf of the Company to the SGX-ST for the admission of the New SEGL Shares to Catalyst of the SGX-ST and for the listing and quotation of the New SEGL Shares on Catalyst of the SGX-ST. The Company will make the necessary announcements once the approval-in-principle for the listing and quotation of the New SEGL Shares has been obtained from the SGX-ST.

6. RATIONALE FOR THE SPA

The resultant effect of the SPA is that the overall shareholding interest of the Company in SMGL will increase from 33.76% to 41.28%. This is in line with the Group’s strategy to raise its stake in SMGL as the Group remains optimistic on the future growth of SMGL and believes that SMGL will help unlock higher value for the Company’s shareholders through its talent management business.

7. RELATIVE FIGURES UNDER RULE 1006

The relative figures computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual: Section B: Rules of Catalyst (“**Catalyst Rules**”) in respect of the SPA, and based on the audited financial statements of the Group for the full year ended 31 December 2017 (“**FY 2017**”) 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.	Not applicable
(b)	The net profits ⁽¹⁾ attributable to the assets acquired, compared with the Group's net profits ⁽¹⁾ .	1.87% ⁽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.	14.67% ⁽³⁾

(d)	The number of equity securities issued as consideration for the acquisition, compared with the number of equity securities previously in issue.	14.67% ⁽⁴⁾
(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) "net profits or loss" means the profit or loss (as the case may be) before income tax, minority interests and extraordinary items.
- (2) Computed based on the net profits of US\$69,325 attributable to the Sale Shares for FY 2017, as compared to the net profit of the Group of US\$3,012,559 for FY 2017.
- (3) The aggregate value of the consideration is computed based on Company's volume weighted average price of S\$0.071 per share on 18 May 2018, being the last trading day for the shares prior to the signing of the SPA, being higher than the Group's net asset value per share of US\$0.043 (equivalent to S\$0.060²) as at 31 December 2017, on the 101,607,865 New SEGL Shares, and the Company's market capitalisation of S\$51,950,528 on its 692,673,709 shares on 18 May 2018.
- (4) Computed based on the aggregate of 101,607,865 New SEGL Shares and the total of 692,673,709 shares in issue as at the date of this announcement.

As the relative figures under Catalyst Rules 1006(c) and (d) are more than 5% but less than 75%, the proposed acquisition of the Sale Shares constitutes a "discloseable transaction".

² Based on the exchange rate of USD1:S\$1.325

8. FINANCIAL EFFECTS

As at the date of this announcement, the issued and paid up capital of the Company is S\$70.3 million, approximately US\$53.1² million, divided into 692,673,709 shares (excluding treasury shares). When allotted and issued in full, the 101,607,865 New SEGL Shares will increase the existing issued and paid-up share capital of the Company to S\$79.5 million, approximately US\$60.0² million, divided into 794,281,574 shares (excluding treasury shares).

8.1 Assuming that the SPA had been effected on 1 January 2017, the basic earnings per share ("EPS") of the Group for FY2017 would be as follows:

	Before the SPA	After the SPA
Profit attributable to shareholders of the Company (US\$)	2,976,022	2,994,216
EPS (US cents)	0.43	0.38
Weighted average number of Shares for calculating EPS	692,673,709	794,281,574

8.2 Assuming that the SPA had been effected on 31 December 2017, the net tangible asset value ("NTAV") per share of the Group would be as follows:

	Before the SPA	After the SPA
NTAV as at 31 December 2017 (US\$)	21,587,585	28,617,710
NTAV per Share (US\$)	0.031	0.036
Number of Shares at the end of FY2017	692,673,709	794,281,574

8.3 It should be noted that such financial effects are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after completion of the SPA.

9. NO CHANGE IN CONTROL

The issuance and allotment of the 101,607,865 New SEGL 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 of the Sale Shares.

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

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 of the Sale Shares. 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 SPA 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.

13. 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 SPA, 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.

BY ORDER OF THE BOARD

Richard Lee

Executive Director & Interim Chief Executive Officer

22 May 2018

This announcement has been prepared by the Company and its contents have been reviewed by the RHT Capital 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.

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