

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 CONSTELLATION AGENCY PTE. LTD.

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 22 December 2017 entered into a sale and purchase agreement (the “**Agreement**”) with independent third parties (the “**Vendors**”) to acquire the entire issued and paid-up share capital of the Constellation Agency Pte. Ltd. (the “**Target Company**” or “**Constellation Agency**”) (the “**Proposed Acquisition**”).

Upon completion of the Proposed Acquisition, Constellation Agency will become a direct wholly-owned subsidiary of the Company.

2. INFORMATION ON THE TARGET COMPANY

Established in 2017, Constellation Agency is a company incorporated in Singapore, which is primarily involved in the business of overseas agency for Korean artists venturing into the overseas market. The Vendors of Constellation Agency comprise 22 parties who (and if such Vendor is a corporate, its directors and substantial shareholders) are not associates of, or related to, the Company’s directors and controlling shareholder.

None of the Vendors (and if such Vendor is a corporate, the Vendor, its director(s) and shareholder(s)) has any interest in the issued and paid-up ordinary shares of the Company (“**Shares**”) as at the date of this announcement, save for the following:

- (i) VAARA Pte. Ltd., which holds 4,532,970 Shares, representing a shareholding interest of approximately 0.88% in the Company; and
- (ii) Ms. Leong Lai Yee, the sole shareholder and director of Kingsland Investment Holdings Ltd., who holds 4,585,469 Shares, representing a shareholding interest of approximately 0.89% in the Company

The company, through its wholly owned full-service talent agency in Korea, represents and guides the professional careers of a leading roster of actors/actresses in the practice areas of motion pictures, television, commercial endorsements, and branded entertainment. In addition to its talent management

business, Constellation Agency also leverages on its wholly-owned marketing firm with its unique expertise across film, television, digital media, music, and access to talents to provide a range of strategic and creative solutions for brands.

Constellation Agency owns the following assets:

1. The P Factory Co., Ltd. (“**The P Factory**”)

The P Factory is an innovative marketing solutions provider specializing in event and branded content production. The P Factory leverages on its expertise across film, television, digital media, music, and access to key talent to originate and execute creative marketing strategies that enhance the marketing position of brands of various consumer products and services.

2. Platform Media Group Co., Ltd. (“**PMG**”)

PMG is a talent management agency which represents and manages the careers of major artists in film, television, commercial endorsements, and branded entertainment. The artist roster of PMG includes drama and film artists such as Wang Ji-won (*ONE LINE 2017, HOSPITAL SHIP 2017*), Lee Ji-hun (*I CAN SPEAK 2017, THE UNIVERSE'S STAR 2016*), Han Ji-an (*MARITAL HARMONY 2017, THAT SUN IN THE SKY 2016*) and Oh Cho-hee (*BLACK 2017, VOICE 2017*).

With the growing number of platforms available to help establish a client as a “brand”, The P Factory actively works to create in-roads across digital and social media, licensing and merchandising, publishing, and live-event opportunities. Through its talent management agency, PMG, the company collectively manages a diverse portfolio of artists. PMG’s network of leading talent agency works closely with their elite roster of clients to provide counsel and resources to originate and cultivate a wide range of opportunities for the artists, in the areas of film, TV, commercial endorsements, and branded entertainment. The experienced management of the agency professionally and personally engage each of its artists, who are at different stages of their careers, to find a customized long-term oriented strategy that is tailored individually to each of the artists.

As at the date of this announcement, the Target Company has an issued and paid-up share capital of US\$2.5 million (approximately S\$3.4 million based on the exchange rate of US\$1: S\$0.74, the “**Exchange Rate**”) comprising 4,400,000 ordinary shares (“**Sale Shares**”). The unaudited net asset and net tangible asset value of the Target Company amounted to US\$3.7 (approximately S\$5.0 million based on the Exchange Rate) as at 30 November 2017.

Kim Suk Young is the CEO of PMG. He has managed top talent since 1999 and prior to establishing PMG, he has managed stars, including top star Kwon Sang-woo since 2002 for more than 8 years and Kim Hee-sun who has won numerous Best Actress awards. Under his management, Kwon Sang-woo rose to stardom in 2003 with the romantic comedy film *MY TUTOR FRIEND* and the melodrama series *STAIRWAY TO HEAVEN*, launching him to top tier status in Korea and all over Asia, turning him into a regional star. Kim Hee-sun was the youngest Grand Prize

(Daesang) winner at the age of 21 years old and rose to fame in Korea and abroad as one of Korea's most beautiful and trend-setting actresses.

Monica HaYeon Chang is the CEO of The P Factory. She started her career in agencies of foreign models and photographers and moved to advertising agencies. Throughout her career, she has accumulated extensive experiences in the marketing of films and planning and production of advertisements for several well-known consumer brands such as Unilever, Samsung, LG, P&G, Hyundai Motors, SK Telecom and Vidal Sassoon. She was previously involved in the marketing of films such as *S DIARY*, *THE ERASER IN MY HEAD* and *LET ME INTRODUCE MY GIRL FRIEND*.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Group's strategy of leveraging on talent management platform to participate in content and also to invest in companies that can financially and strategically complement the Group's existing core operations. The proposed acquisition of Constellation Agency will help the Group develop a more consistent and stable revenue and further diversify its business.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Consideration

The total purchase consideration payable by the Company to the Vendors is S\$16,648,649 ("**Consideration**") which shall be satisfied by the issuance and allotment of 144,770,861 newly issued ordinary shares of the Company at S\$0.115 per share (the "**Issue Price**") (the "**Consideration Shares**").

The 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\$1.2 million (approximately S\$1.6 million based on the Exchange Rate) for the period from the date of Constellation Agency's incorporation (being 12 July 2017) to 30 November 2017 and the unaudited net asset and net tangible asset value of US\$3.7 million (approximately S\$5.0 million based on the Exchange Rate) as at 30 November 2017.

The Issue Price represents a premium of 23.7% to the volume weighted average price of S\$0.093 for each share, based on the trades done on the Shares on the Catalist of the SGX-ST on 21 December 2017, being the 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, transfer 144,770,861 newly issued ordinary shares of the Company to the Vendors. The Consideration Shares will be issued and allotted to the Vendors

in the same proportion as their respective percentage shareholding interests in Constellation Agency.

4.3 Conditions Precedent

Completion of the Proposed Acquisition ("**Completion**") is subject to the conditions precedent which includes the veracity of warranty, completion of the Company's due diligence exercise, 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 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 per cent (50%) of the total number of issued Shares (excluding treasury shares) as at the date of the 2017 AGM.

As at the date of the 2017 AGM, the Company had 463,031,700 shares (excluding treasury shares). Subsequent to the 2017 AGM, the Company had issued an aggregate of 54,137,816 new Shares on a non pro-rata basis under the General Mandate. Accordingly, as at the date of this announcement, the balance maximum number of Shares to be issued other than on a pro-rata basis under the General Mandate is 177,378,034 Shares.

The Consideration Shares, when allotted and issued in full, will represent approximately:

- (i) 31.27% of the issued share capital of the Company of 463,031,700 Shares (excluding treasury shares) as at the date of the 2017 AGM;
- (ii) 28.09% of the issued share capital of the Company of 515,470,416 Shares (excluding treasury shares) as at the date of this announcement;
- (iii) 21.93% of the enlarged issued and paid-up share capital of the Company of 660,241,277 Shares (excluding treasury shares) upon completion of the Proposed Acquisition.

The proposed allotment and issuance of 144,770,861 Consideration Shares, when taken together with 32,432,432 new Shares to be issued as consideration for the proposed acquisition of 920,000 common voting shares of Spackman Media Group Limited (“**Proposed December 2017 SMGL Acquisition**”) (contained in a separate announcement released today) under the General Mandate, will fall within the balance limits of the General Mandate of 177,378,034 Shares as at the date of this announcement.

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

5.1 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.

5.1.1 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:

	Before the Proposed Acquisition	After the Proposed Acquisition
Loss attributable to shareholders of the Company (US\$’000)	(2,425)	(1,248)
Weighted average number of ordinary shares in issue	398,770,209	543,541,070
LPS (US cents)	0.608	0.230

5.1.2 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 per Share as at 31 December 2016 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA as at 31 December 2016 (US\$)	11,847,617	15,544,890
NTA per Share (US\$)	0.030	0.029
Number of Shares at the end of FY2016	398,770,209	543,541,070

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 the nine months ended 30 September 2017 (“9M 2017”) are as follows:

Rule 1006	Base	Relative figure
(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 ⁽¹⁾ attributable to the assets acquired, compared with the Group's net profits ⁽¹⁾ .	32.50% ⁽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.	28.09% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	28.09% ⁽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 and probable reserves. This basis is	Not applicable

Rule 1006	Base	Relative figure
	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.	

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 attributable to the Sale Shares of US\$1,367,013 for the period from its date of incorporation of 12 July 2017 to 30 November 2017 and the net profit of the Group of US\$4,206,000 for 9M 2017.

(3) The Consideration is computed based on the volume weighted average price of the Shares of S\$0.093 (“VWAP”) (being higher than the Group’s unaudited net asset value per Share of S\$0.053 as at 30 September 2017) on 21 December 2017, being the last market day preceding the date of the Agreement, on the 144,770,861 Consideration Shares. The Company’s market capitalisation of S\$47.9 million was computed based on the VWAP and 515,470,416 Shares (excluding treasury shares) as at the date of this announcement.

(4) Based on 144,770,861 Consideration Shares and 515,470,416 Shares (excluding treasury shares) as at the date of this announcement.

As the relative figures computed on the bases set out in Catalist Rules 1006(b), (c) and (d) above exceed 5.0% but are less than 75.0%, the Proposed Acquisition constitutes a discloseable transaction under Chapter 10 of the Catalist 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 (and if such Vendor is a corporate, the Vendor, its director(s) and shareholder(s)) will become substantial shareholders of the Company after the completion of the Proposed Acquisition.

Each of the Vendors (and if such Vendor is a corporate, the director(s) and shareholder(s) of the Vendor) are acting independently of each other in respect of the Proposed Acquisition and the Proposed December 2017 SMGL Acquisition (the “**Proposed Transactions**”).

The shareholding interests of Spackman Equities Group Inc., being the Company’s sole substantial shareholder as at the date of this announcement, after the completion of the Proposed Transactions 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 Proposed December 2017 SMGL Acquisition ⁽¹⁾	
	Total (comprising direct and deemed) interest					
	No. of shares	% ⁽²⁾	No. of shares	% ⁽³⁾	No. of shares	% ⁽⁴⁾
Spackman Equities Group Inc.	148,971,000	28.90%	148,971,000	22.56%	148,971,000	21.51%

Notes:

- (1) Please refer to a separate announcement released by the Company today for details on the Proposed December 2017 SMGL Acquisition.
- (2) Based on 515,470,416 Shares (excluding treasury shares) in issue as at the date of this announcement.
- (2) Based on the enlarged share capital of 660,241,277 Shares (excluding treasury shares) after the completion of the Proposed Acquisition.
- (3) Based on the enlarged share capital of 692,673,709 Shares (excluding treasury shares) after the completion of both the Proposed Acquisition and Proposed December 2017 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

Jessie Ho
Lead Independent Director
22 December 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 Catalyst. 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).