

spackmanentertainmentgroup

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

PROPOSED ACQUISITION OF 100.0% EQUITY INTEREST IN FRAME PICTURES CO., 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 14 March 2017 entered into a sale and purchase agreement (the “**Agreement**”) with the owner of Frame Pictures Co., Ltd. (the “**Target Company**” or “**Frame Pictures**”) (the “**Vendor**”) to acquire the entire issued and paid-up share capital of the Target Company (the “**Proposed Acquisition**”). The Vendor is an independent third party.

2. INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated in the Republic of Korea on 23 July 2014. It is primarily engaged in the business of movie equipment rental in Korea.

As at the date of this announcement, the Target Company has an issued and paid-up share capital of KRW 50 million comprising 10,000 ordinary shares (“**Sale Shares**”).

Frame Pictures is a leader in the movie/drama equipment leasing business in Korea. Established in 2014 by veteran director of photography, Mr. Kim Jun-young, Frame Pictures has worked with over 25 top directors and provided the camera and lighting equipment for some of Korea’s most notable drama and movie projects including *THE LEGEND OF THE BLUE SEA* (2016) featuring Jeon Ji-hyeon and Lee Min-ho, as well as *VETERAN* (2015), the number one movie at the Korean box office in 2015 starring Yoo Ah-in. Frame Pictures also manages a Director of Photography agency and placed its cinematographers in 12 films including *ANTIQUA* (2008), produced by Spackman Entertainment Group’s indirectly wholly-owned subsidiary, Zip Cinema Co. Ltd. In 2015, Frame Pictures became the first Korean firm to offer 4k resolution post-production services.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition will firstly allow the Company to own a profitable business which is in line with the Group’s strategy of making acquisitions of companies involved in the entertainment industry that can financially and strategically complement the Group’s core operations. Secondly the Proposed

Acquisition will help the Group create a more diversified and consistent revenue stream which has been significantly reliant on the box office performance of its movies.

The Group also believes that it is strategically positioned to further enhance the performance of Frame Pictures, especially in securing more film project deals, including its own in some cases.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Consideration

The total purchase consideration payable by the Company to the Vendor shall comprise:

- a) KRW 900,000,000 (equivalent to approximately US\$0.81 million)¹ in cash, and
- b) 497,250 issued and paid-up ordinary shares of the Company's 24.53% owned associated company, Spackman Media Group Limited ("**SMGL**"), representing 1.63% of the total share capital of SMGL ("**Consideration Shares**").

The total purchase consideration was arrived at following arm's length negotiations on a willing buyer, willing seller basis, and taking into account, *inter alia*, the Target Company's net profit of KRW 875.6 million (approximately US\$0.79 million) for the full-year financial period ended 31 December 2016 ("**FY2016**") and unaudited net tangible asset value of KRW 1.8 billion (approximately US\$1.61 million) as at 31 December 2016.

Based on the unaudited financial statements of SMGL for FY2016, the profit before tax of the SMGL for FY2016 was US\$0.86 million and the net tangible asset and net asset value of SMGL as at 31 December 2016 was US\$7.13 million and US\$11.61 million respectively.

4.2 Terms of Payment of the Consideration

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

- a) with respect to the cash portion of the purchase consideration, pay to the Vendor in cash or via wire/telegraphic transfer into the bank account of the Vendor or into a bank account designated in writing by the Vendor, and
- b) with respect to the share portion of the purchase consideration, transfer 497,250 issued and paid-up shares of SMGL to the Vendor.

¹ Based on exchange rate of 1 KRW to 0.0009 USD on 13 March 2017

4.3 Conditions Precedent

Completion of the Agreement is subject to the conditions precedent as set out in Article 4 which includes the veracity of warranty, completion of the Company's due diligence exercise, regulatory approvals, consents of the Board of Directors and shareholders of each parties, if required, and the composition of the Board of Directors of Frame Pictures comprising 1 director to be appointed by the Company and 1 director to be appointed by Frame Pictures.

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.

Pursuant to the satisfaction of the purchase consideration and the completion of the Proposed Acquisition, the Company's shareholding interest in SMGL will be diluted from 24.53% to 22.90%.

5. 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 unaudited 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)	(2,228)	(1,474)
Weighted average number of ordinary shares in issue ⁽²⁾	398,770,209	398,770,209
LPS (US cents)	0.56	0.37

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 as at 31 December 2016 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA as at 31 December 2016 (US\$)	11,917,316	13,400,435
NTA per Share (US\$)	0.030	0.034
Number of Shares at the end of FY2016	398,770,209	398,770,209

6. 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 Catalyst (the “Catalist Rules”) in respect of the Proposed Acquisition and based on the unaudited financial statements of the Group for FY2016 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 loss ⁽¹⁾ .	-33.1% ⁽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.	2.0% ⁽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.	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable

Notes:

(1) "net profits or loss" means the profit or loss (as the case may be) before income tax, minority interests and extraordinary items. Based on exchange rate of 1 KRW to US\$0.0008 on 31 December 2016.

(2) The relative figure under Catalist Rule 1006(b) is negative due to the net profits attributable to the Sale Shares of KRW 875.6 million (approximately US\$0.78 million) for FY2016 as compared to the net loss of the Group of US\$2.37 million for FY2016. Based on exchange rate of 1 KRW to US\$0.0008 on 31 December 2016.

(3) Computed based on the purchase consideration of S\$1.35 million (equivalent to approximately US\$0.95 million) and the Company's market capitalisation of S\$67.47 million based on its 398,770,209 shares and the volume weight price of S\$0.1692 for the Company's shares on 13 March 2017, being the market day preceding the date of the Agreement. Based on exchange rate of 1 KRW to S\$0.0012 and S\$1 to US\$0.708 on 13 March 2017.

As the relative figure computed on the bases set out in Catalist Rules 1006(c) above does not exceed 5.0%, the Proposed Acquisition constitutes a non-discloseable transaction under Chapter 10 of the Catalist Rules.

7. 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 or the controlling shareholders of the Company are related to the Vendor.

8. 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.

9. DOCUMENT FOR INSPECTION

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

The Company will make the necessary follow-up announcement upon completion of the Proposed Acquisition.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman & Chief Executive Officer
15 March 2017

This announcement has been prepared by the Company and its contents have been reviewed by the PrimePartners Corporate Finance Pte. Ltd. ("Sponsor") for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

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

The contact person for the Sponsor is Ms. Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.