

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of Spackman Entertainment Group Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 66 to 122, which comprise the statements of financial position of the Group and of the Company as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2024 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

### *Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 3 in the financial statements, which indicates that the Group incurred a net loss of USD348,971 (2023: USD8,682,215) and operating cash outflow of USD2,277,246 (2023: USD5,470,404) for the financial year ended 31 December 2024. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### *Critical judgements in applying the entity's accounting policies* (Continued)

#### *Going concern assumption*

The Group recognised a loss for the financial year of USD348,971 (2023: USD8,682,215) and operating cash outflow of USD2,277,246 (2023: USD5,470,404) for the financial year ended 31 December 2024. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group's net assets and net current assets as at 31 December 2024 were USD20,532,496 and USD1,390,376 (2023: USD17,697,751 and USD2,999,136) respectively.

In addition to strong balance sheet position, the Group's cash flow budget indicates that it will be able to generate sufficient cash flow in the next 12 months from the date of authorisation of these financial statements to meet the Group's cash flow requirements and manage payments to their creditors if necessary. The cash flow projections primarily depend on the collection of short-term loans from associated company and third parties as well as the positive performance of its film production business, particularly from movies scheduled to be released within the next 12 months. The management has also implemented measures to ensure timely release of films. In fact, the movie, "The Apple of my Eye" was released in February 2025.

Furthermore, trade and other payables and current portion of borrowings are expected to be settled within the next 12 months from the date of authorisation of these financial statements.

Based on above, the management believes that going concern basis of preparation of these financial statements remains appropriate.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *Fair value of investment in an associated company, Spackman Media Group Limited ("SMGL")*

The Group determined the carrying amount of investment in SMGL based on fair value less cost of disposal ("FVLCD") in line with the completion of SMGL's reverse takeover transaction ("RTO"). The assumptions used by the management in determining the FVLCD are disclosed and further explained in Note 16.