

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

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED WITH REGARDS TO THE ANNOUCEMENT DATED 29 FEBRUARY 2024 (“FY2023 FINANCIAL RESULTS”)

The Board of Directors (“**Board**”) of Spackman Entertainment Group Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) would like to provide the following information in response to query from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in respect of the Company’s FY2023 Financial Results.

Query of the SGX-ST & Company’s Response

1. We note that the Company has recorded a decrease in intangible assets by US\$1.94 million which was mainly due to the impairment loss on goodwill for Constellation Agency Pte Ltd (“Constellation”) of US\$1.22 million and Take Pictures Pte Ltd (“Take”) of US\$0.63 million.

- (i) Please provide the reasons for the impairment loss on goodwill for Constellation and Take.

There were fewer content projects secured for the year for Constellation and Take due to the slower than expected recovery of the Korea film sector. Some of their film and drama projects continue to face some delays in the consultation, production and distribution of content projects.

During the COVID-19 pandemic, Korea’s multiplex cinema industry faced challenges and despite what appears to be the end of the pandemic, the movie industry could not make a significant recovery over the past year. Instead, the continued rise and popularity of online streaming platforms such as Netflix and Disney+ have strongly impacted the demand for traditional theatergoing experience in Korea, resulting in the sales decline at the Korean box office.

Even though Take’s film, *A MAN OF REASON*, premiered in the US at the 42nd Hawaii International Film Festival and was also invited to the 47th Toronto International Film Festival and the 55th Sitges Film Festival, it performed below expectations at the Korean box office.

- (ii) How was the amount of the impairment loss on goodwill determined?

The Management assessed the higher of value in use (“VIU”) and fair value less cost of disposal to determine the recoverable amount of the cash generating unit (“CGU”). In computing VIU, the Management considered the factors identified in the answer to question 1. For fair value, the Management considered the adjustments that were necessary from the initial VIU computation in arriving at a discounted cash flow required for fair value computation. Impairment loss was recognised as the recoverable amount of CGU is lower than the carrying value.

The detail of the impairment is as follows:

CGU	Recoverable Amount	Carrying Amount	Impairment
Constellation	USD0.35 million	USD1.58 million	(USD1.22 million)
Take	USD1.37 million	USD2 million	(USD0.63 million)

- (iii) Was there any valuation conducted on Constellation and Take for the purposes of determining their fair values? If yes, what was the value placed on Constellation and Take? Please also disclose the valuer, basis and the date of such valuation.

There is no external valuation conducted for Constellation and Take. Please refer to the answer in question 2.

- (iv) Please provide the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment.

The Board is satisfied with the reasonableness of the methodologies used to determine the amount of impairment.

2. We note that the Group has trade and other receivables amounting to US\$5.49 million as at 31 December 2023 and US\$5.74 million as at 31 December 2022.

- (i) Please disclose the nature and breakdown of the trade and other receivables as at 31 December 2023 and 31 December 2022.

Please refer to the appendix 1.

- (ii) Please provide the aging analysis and assessment of the recoverability of the trade and other receivables.

Please refer to the appendix 1-1, it is assessed that there are no issues with the recoverability of the Group's trade receivables.

- (iii) Please provide explanations for any material variances in each category of trade and other receivables.

Please refer to the description of the material variances with reference to appendix 1-2,1-3,1-4.

- (iv) Please disclose if there were any transactions with interested persons as defined in the Catalist Rules. If yes, please disclose the details of the transaction(s), the interested person(s) and the nature of that person's interest in the transaction(s).

There were no transactions with interested persons as defined in the Catalist Rules.

- (v) In relation to short-term loans and advances, please disclose:

(a) the reasons for extending these short-term loans and advances to the respective parties;

The extension of these short-term loans is mainly to support the operating working capital of the Group's associated company, Spackman Media Group Limited ("SMGL"), and the proposed transaction by SMGL, as announced on 28 February 2023.

The extension of these advances is primarily to provide funding for the Group's ongoing and upcoming content projects in film and drama.

- (b) details of the short-term loans and advances, including the terms of the loans and advances, interest (if any) and when these amounts are due for repayment; and

Please refer to the appendix 1-2 for the short-term loans and the appendix 1-3 for the advances.

- (c) the Board's assessment on the recoverability of these balances.

The Board does not foresee any major recoverability issues based on the receivable aging, nature of the loan receivables and the credit profile of the loan debtors.

3. We note that the Group has unsecured loans of US\$1.95 million repayable within one year or less, or on demand as at 31 December 2023 compared to US\$0.62 million as at 31 December 2022.

- (i) Please provide details of the unsecured loans, including the terms of the loans, interest on loans and maturity dates;

Please refer to the appendix 2.

- (ii) A breakdown of the lenders and their identities (and its ultimate beneficial shareholders and directors if this is not a bank); and

Please refer to the appendix 2. This is not a bank loan, but a borrowing from the directors of the subsidiaries for the operating working capital purpose of the subsidiaries.

- (iii) The use of proceeds from the unsecured loans.

Mainly for working capital and operational support for the Group's subsidiaries.

4. Given the Group's significant liabilities of US\$6.04 million and cash and bank balance of only US\$0.80 million and noting that the Company incurred loss for the financial year ended 31 December 2023 of US\$7.80 million, please disclose the Board's assessment on:

- (i) whether the Group's current assets are adequate to meet the Group's short term liabilities of US\$5.46 million, including its bases of assessment; and

As at the end of December 2023, the Group holds a net current asset position of US\$2.95 million, signifying that its current assets surpass its current liabilities with a current ratio of 1.54.

In addition, the borrowings from the directors of the subsidiaries amounting to US\$ 1.89 million could be rolled over to next year, based on negotiations if required.

In this case, the Group's net asset position is US\$18.58 million with debt ratio of 0.25.

As such, the Board does not foresee any potential liquidity or cashflow issues.

- (ii) how the Group intends to fulfil its significant payment obligations in the next 12 months. Where the Group has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Group is on track to fulfilling these obligations.

The Group's contract liability of approximately US\$0.48 million will be recognized as revenue, there is no repayment obligation for it.

The Group's film obligation and production loans of approximately US\$0.88 million is not part of the Group's current repayment obligation as repayment will only be done following settlement of film proceeds at the end of the theatrical run of the film production project.

The Group's other total borrowings of US\$2.49 million of which US\$1.89 million comprises borrowings from the directors of subsidiaries that could be rolled over to next year, resulting in a net amount of approximately US\$0.60 million (A).

The Group's trade and other payments consists of US\$1.61 million (B).

As such, the net outstanding payment obligations would be A+B = US\$2.21 million.

The Group intends to collect the trade receivables and other receivables amount of approximately US\$3.31 million with the estimated breakdown as follows - trade receivables: US\$0.12 million, loans: US\$2.78 million, accrued income: US\$0.36 million and VAT or GST receivables: US\$0.05 million during the next 12 months.

Therefore, it is assessed that presently there is no foreseeable debt repayment issue with the Group's current cash balance.

By Order Of The Board

Na Kyoungwon
Chief Operating Officer, President and Executive Director
8 March 2024

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Evolve Capital Advisory Private Limited ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

This announcement has not been examined by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The details of the contact person for the Sponsor are:-

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Appendix 1 SEGL Group's Trade and Other Receivables

Trade and other receivables	31 Dec 2023	31 Dec 2022	Variance	Description
	US\$'000	US\$'000	US\$'000	
Trade receivables	119	190	(71)	
Loans	2,780	1,883	897	Please refer to Appendix 1-2 Out of which, 1,977 loan is with the Group's associated company, Spackman Media Group Limited ("SMGL")*
Advance payments	1,945	2,279	(334)	Please refer to Appendix 1-3
Other receivables	162	885	(723)	Please refer to Appendix 1-4
Leasehold deposits	72	160	(88)	
Accrued income	359	287	72	
VAT or GST receivables	52	57	(5)	
Total	5,489	5,741	(252)	

*Approved by the Board for the Group's business strategy to leverage on the talent management platform of the Group's associated company, SMGL.

Appendix 1-1 Aging Profile of SEGL Group's Trade Receivables

Aging of the trade receivables	US\$'000	Remark
not due	42	
1-30 days	10	Received full collection on March 2024
31-60 days	-	
61-90 days	-	
over 90 days	67	Mainly from the Group's associated company, SMGL, which is in net current asset and net asset position
Total	119	

Appendix 1-2 Loans of SEGL Group

Loans	31 Dec 2023	31 Dec 2022	Maturity	Interest	Description
	USD'000	USD'000			
Associated company	1,977	1,011	Dec 24	2.00-6.00%	The increase was mainly to support the operations of the associated company, SMGL
Employees	133	126	Dec 24	0.00-4.60%	
Third Party Non-related Business Partners	670	747	May-Dec 24	0.00-3.00%	
Total	2,780	1,883			

Appendix 1-3 Advance payments of SEGL Group

Advance payments	31 Dec 2023	31 Dec 2022	Description
	US\$'000	US\$'000	
Production (including development & pre-production) in film projects	680	569	
Development and pre-production in TV drama projects	628	675	
Advance payments for collaboration with the talent management business	413	913	Decreased in the collection of advances for associated companies.
Others	224	122	
Total	1,945	2,279	

Appendix 1-4 SEGL Group's Other Receivables

Other receivables	31 Dec 2023	31 Dec 2022	Description
	US\$'000	US\$'000	
Prepayments related to insurance and office rent etc	92	103	
Other receivables related to disposal of post-theatrical distribution rights of a film	-	526	Received as of 6 March 2023.
Other receivables related to the artist's appearance fees	70	256	Decreased in the collection of appearance fees in FY2022
Total	162	885	

Appendix 2 SEGL Group's Unsecured loans

Borrowings	31 Dec 2023	31 Dec 2022	Maturity	Interest Rate
	USD'000	USD'000		
Associated company	-	136	-	0.00%
Directors of subsidiaries	1,893	465	2024-12-31	0.00-4.60%
Third Party Non-related Business Partners	59	16	2024-12-31	0.00-4.60%
Total	1,952	617		