



# 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 85 to 138, which comprise the statements of financial position of the Group and of the Company as at 31 December 2023, 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 2023 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 USD8,682,215 (2022: USD6,633,794) and operating cash outflow of USD5,470,404 (2022: USD5,150,397) for the financial year ended 31 December 2023. 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.

#### **1. Impairment assessment on investment in associated company, Spackman Media Group Limited ("SMGL")**

As at 31 December 2023, the carrying amounts of the Group's and the Company's investment in SMGL amount to USD11,568,575 (2022: USD12,396,405) and USD12,462,597 (2022: USD12,462,597) (Note 17). The Group performed an impairment assessment to determine the recoverable amount, which is the higher between the VIU and fair value less cost of disposal ("FVLCD"), of the investment in SMGL.

To determine the VIU, the Group engaged an external valuation expert to assist in the VIU calculation using cash flow projections from forecasts of SMGL and its subsidiaries. This process requires estimating future cash flows based on management's view of future business prospects and applying appropriate terminal growth rates and discount rates to the cash flow projections.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### n) Foreign currencies

#### *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the “functional currency”). The financial statements of the Group and the Company are presented in United States dollar (“USD”), which is the Company’s functional currency.

### o) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group’s chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### *Critical judgements in applying the entity’s accounting policies*

In the process of applying the Group’s accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt in the subsequent paragraphs).

#### *Investment in associated company*

Management has considered the Group’s representation in the board of Spackman Media Group Limited (“SMGL”), the Memorandum and Articles of Association of SMGL, contractual terms in the shareholders agreement and the contractual arrangements among the shareholders and has determined that it has significant influence on and not control over SMGL even though the Group’s shareholding is 43.88%. Consequently, this investment has been classified as an associated company.

#### *Going concern assumption*

The Group recognised a loss for the financial year of USD8,682,215 (2022: USD6,633,794) and operating cash outflow of USD5,470,404 (2022: USD5,150,397) for the financial year ended 31 December 2023. 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 2023 were USD17,697,751 and USD2,999,136 respectively.

In addition to strong balance sheet position, and based on cash flow budget, the Group is 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 suppliers if necessary. In preparing the cash flow budget, the Group believes that the trade and other receivables are collectible within 12 months. On the other hand, borrowings from directors of subsidiaries can be rolled over if the respective subsidiaries have no sufficient operating surplus when the borrowings are due. The management also carried out certain measures to ensure that the films and dramas to be produced and released is still within the scheduled timeline.

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 balance sheet. 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.