

SPACKMAN ENTERTAINMENT GROUP LIMITED

Company registration number – 201401201N

Condensed Interim Financial Statements For the six months ended 30 June 2021

spackmanentertainmentgroup

TABLE OF CONTENTS

	Page
A. Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income -----	1
B. Condensed Interim Statements of Financial Position (Group and Company) -----	2
C. Condensed Interim Consolidated Statement of Cash Flows -----	3
D. Condensed Interim Statements of Changes in Equity (Group and Company) -----	5
E. Notes to the Condensed Interim Consolidated Financial Statements -----	7
F. Other information Required by Appendix 7C of the Catalist Rules -----	20

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2021

	Note	Group Six Months Ended		Change %
		30 June 2021	30 June 2020	
		US\$'000	US\$'000	
Revenue	4	9,611	5,558	73
Cost of sales		(9,140)	(4,497)	103
Gross profit		471	1,061	(56)
Other income and gains		128	190	(33)
Interest income		56	46	22
Expenses				
Selling expenses		(175)	(165)	6
General and administrative expenses		(2,726)	(2,931)	(7)
Finance costs		(105)	(178)	(41)
Other expenses		(295)	(1,669)	(82)
Share of results of associate		(82)	(797)	(90)
Loss before tax	6	(2,728)	(4,443)	(39)
Tax credit	7	5	158	(97)
Loss for the financial period		(2,723)	(4,285)	(36)
Other comprehensive loss				
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive loss of associated company		(843)	(109)	NM
Currency translation difference arising from consolidation		(177)	(368)	(52)
<u>Items that will not be reclassified subsequently to profit or loss:</u>				
Currency translation difference arising from consolidation		(23)	(31)	(26)
Total comprehensive loss for the period		(3,766)	(4,793)	(21)
Loss for the period attributable to:				
Equity holders of the Company		(2,631)	(4,126)	(36)
Non-controlling interests		(92)	(159)	(42)
		(2,723)	(4,285)	(36)
Total comprehensive loss for the period attributable to:				
Equity holders of the Company		(3,651)	(4,603)	(21)
Non-controlling interests		(115)	(190)	(39)
		(3,766)	(4,793)	(21)
Loss per share for loss for the period attributable to the owners of the Company during the year:				
Basic and fully diluted (USD in cent) ¹		(0.17)	(0.33)	

¹ – The basic and fully diluted basic loss per share are the same as there were no potentially dilutive ordinary shares in existence during the respective periods

NM – Not meaningful

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CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (GROUP AND COMPANY) FOR THE HALF YEAR ENDED 30 JUNE 2021

		Group		Company	
		30 June 2021 US\$'000	31 December 2020 US\$'000	30 June 2021 US\$'000	31 December 2020 US\$'000
	Note				
Assets					
Investment in subsidiaries		—	—	16,494	16,494
Investment in associated company		13,906	14,832	14,993	14,993
Property, plant and equipment	11	5,031	6,074	363	463
Intangible assets	10	6,545	6,651	—	—
Film production inventories		1,976	1,885	—	—
Deferred tax assets		579	601	—	—
Trade and other receivables		296	739	—	—
Financial assets at fair value through profit or loss	9	1,206	1,211	357	357
Non-current assets		29,539	31,993	32,207	32,307
Financial assets at fair value through profit or loss	9	3,288	3,711	—	—
Loan to subsidiaries		—	—	635	626
Trade and other receivables		9,010	9,226	1,861	1,606
Contract assets		982	25	—	—
Film production inventories		—	916	—	—
Inventories		8	6	—	—
Cash and cash equivalents		5,369	4,343	60	237
Current assets		18,657	18,227	2,556	2,469
Total assets		48,196	50,220	34,763	34,776
Liabilities					
Borrowings	12	2,232	2,354	2,309	2,213
Other non-current liabilities		379	382	—	—
Contract liabilities		1,889	1,503	—	—
Deferred tax liabilities		76	97	—	—
Non-current liabilities		4,576	4,336	2,309	2,213
Trade and other payables		4,503	3,999	503	655
Contract liabilities		4,189	2,730	—	—
Borrowings	12	5,545	6,205	211	582
Film obligation and production loans		509	308	—	—
Tax payables		5	7	—	—
Current liabilities		14,751	13,249	714	1,237
Total liabilities		19,327	17,585	3,023	3,450
Net assets		28,869	32,635	31,740	31,326
Share capital and reserves					
Share capital	13	70,007	70,007	70,007	70,007
Treasury shares		(680)	(680)	(680)	(680)
Other reserves		(3,369)	(2,349)	—	—
Accumulated losses		(37,592)	(34,961)	(37,587)	(38,001)
Equity attributable to equity holders of the Company, total		28,366	32,017	31,740	31,326
Non-controlling interests		503	618	—	—
Total equity		28,869	32,635	31,740	31,326

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2021

	Note	Group	
		Six Months Ended	
		30 June 2021 US\$'000	30 June 2020 US\$'000
Cash flows from operating activities			
Loss before tax		(2,728)	(4,443)
Adjustments for:			
Depreciation of property, plant and equipment		1,226	1,074
Amortisation of intangible assets		122	273
Interest income	6	(56)	(46)
Interest expense	6	105	178
Impairment loss on film production inventories	6	—	599
Impairment loss on property, plant and equipment	6	—	937
Fair value loss with respect to financial assets at FVTPL	6	—	17
Allowance for doubtful receivables		—	2
Gain from disposal of property, plant and equipment		(2)	—
Reversal of loss on film borne by external investors		1	1
Share of results of associated company		82	797
Reversal of allowance for doubtful debts		(47)	(99)
Operating loss before working capital changes		(1,297)	(710)
Working capital changes			
Inventories and copyrights		(2)	2
Film production inventories		712	(48)
Receivables and contract assets		(594)	2,794
Payables and contract liabilities		2,078	(447)
Currency translation adjustments		27	524
Cash generated from operations		924	2,115
Interest received		6	5
Income tax paid		(15)	(303)
Net cash generated from operating activities		915	1,817
Investing activities			
Short term loans granted		(792)	(1,514)
Collection of short-term loans		791	55
Purchases of property, plant and equipment		(246)	(41)
Purchases of intangible assets		(10)	(29)
Proceeds from disposal of property, plant and equipment		2	—
Proceeds from disposal of intangible assets		—	16
Purchases of investments		(299)	—
Decrease of leasehold deposit		190	109
Proceeds from disposal of investments		557	103
Net cash generated from/(used in) investing activities		193	(1,301)

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D) FOR THE HALF YEAR ENDED 30 JUNE 2021

	Note	Group	
		Six Months Ended	
		30 June 2021 US\$'000	30 June 2020 US\$'000
Financing activities			
Repayment of lease liabilities		(427)	(478)
Repayment of borrowings		(2,295)	(1,199)
Proceeds from borrowings		2,490	808
Proceeds from film obligations and production loans		594	—
Repayment of film obligations and production loans		(379)	(26)
Advances received from staff		98	166
Repayment of advances received from staff		(63)	(73)
Issuance of shares	13	—	3,810
Purchase of treasury shares		—	(70)
Interest paid		(104)	(229)
Net cash (used in)/generated from financing activities		(86)	2,709
Net change in cash and cash equivalents		1,022	3,225
Cash and cash equivalents at beginning of financial period		4,343	4,212
Effect of exchange rate changes		4	(633)
Cash and cash equivalents at end of the financial period		5,369	6,804

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CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2021

The Group	Note	Attributable to equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Treasury shares	Other reserve	Accumulated losses	Total		
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2021		70,007	(680)	(2,349)	(34,961)	32,017	618	32,635
Loss for the period		–	–	–	(2,631)	(2,631)	(92)	(2,723)
<u>Other comprehensive loss for the period</u>								
Share of other comprehensive loss of associated company		–	–	(843)	–	(843)	–	(843)
Currency translation difference on consolidation		–	–	(177)	–	(177)	(23)	(200)
		–	–	(1,020)	–	(1,020)	(23)	(1,043)
Balance as at 30 June 2021		70,007	(680)	(3,369)	(37,592)	28,366	503	28,869
Balance as at 1 January 2020		66,197	(465)	(2,774)	(12,051)	50,907	798	51,705
Loss for the period		–	–	–	(4,126)	(4,126)	(159)	(4,285)
<u>Other comprehensive loss for the period</u>								
Share of other comprehensive loss of associated company		–	–	(109)	–	(109)	–	(109)
Currency translation difference on consolidation		–	–	(368)	–	(368)	(31)	(399)
		–	–	(477)	–	(477)	(31)	(508)
Share issued	13	3,810	–	–	–	3,810	–	3,810
Purchase of treasury shares		–	(70)	–	–	(70)	–	(70)
Balance as at 30 June 2020		70,007	(535)	(3,251)	(16,177)	50,044	608	50,652

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (CONT'D)
FOR THE HALF YEAR ENDED 30 JUNE 2021

The Company	Note	Share capital US\$'000	Treasury shares US\$'000	Accumulated losses US\$'000	Total US\$'000
Balance as at 1 January 2021		70,007	(680)	(38,001)	31,326
Profit for the period		–	–	414	414
Balance as at 30 June 2021		70,007	(680)	(37,587)	31,740
Balance as at 1 January 2020		66,197	(465)	(14,489)	51,243
Loss for the period		–	–	(816)	(816)
Issue of ordinary shares	13	3,810	–	–	3,810
Purchase of treasury shares		–	(70)	–	(70)
Balance as at 30 June 2020		70,007	(535)	(15,305)	54,167

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Spackman Entertainment Group Limited (the “**Company**”) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Catalist of the Singapore Exchange. The registered office of the Company is at 16 Collyer Quay, #17-00, Singapore 049318. The principal place of business of the Company is at 390 Orchard Road, #04-01 Palais Renaissance, Singapore 238871.

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the “**Group**”). The principal activity of the Company is an investment holding company and its subsidiaries’ principal activities are film production, film distributor for post-theatrical market, film and drama equipment leasing and talent management.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements of the Group and the Company are presented in United States dollar (“USD”), which is the Company’s functional currency.

2.1 New and revised standards

A number of amendments to Standards have become applicable for the current reporting period, which include the following amendments to SFRS(I)s which took effect from financial year beginning 1 January 2021:

- Amendments to SFRS(I) 16 Covid-19-Related Rent Concessions
- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16 Interest Rate Benchmark Reform – Phase 2.

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 9 – Classification of financial assets at fair value through profit or loss

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 10 – Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amount

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the group assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SFRS(I)s, including the level in the fair value hierarchy in which the valuations should be classified.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2.2 Use of estimates and judgements (Cont'd)

Measurement of fair values (Cont'd)

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the group assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SFRS(I)s, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

- a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e., derived from prices).
- c) Level 3 - input for the asset or liability that are not based on observable market data (Unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4 Segment and revenue information

The Group is organised into the following main business segments:

- Distribution of films;
- Production of films;
- Leasing of equipment; and
- Talent management

These operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Officer and President, who are responsible for allocating resources and assessing performance of the operating segments.

4.1 Reportable segments

In US\$' 000	The Group					
	Six months ended 30 June 2021					
	Distribution of films	Production of films	Leasing of equipment	Talent management	Others	Total
Revenue	1,190	7,573	106	489	253	9,611
Cost of sales	(538)	(7,442)	(657)	(416)	(87)	(9,140)
Share of results of associated companies	—	—	—	(82)	—	(82)
Segment gross results	652	131	(551)	(9)	166	389
Selling and general & administrative expenses	(281)	(1,790)	(25)	(116)	(59)	(2,271)
Segment net results	371	(1,659)	(576)	(125)	107	(1,882)
Unallocated other income:						
Other income and gains						128
Interest income						56
Unallocated expenses:						
Depreciation and amortisation						(630)
Other expenses						(295)
Finance costs						(105)
Loss before tax						(2,728)
Tax expense						5
Loss for the period						(2,723)
Segment assets	658	4,628	466	16,977	61	22,790
Unallocated assets						25,406
Total assets						48,196
Segment liabilities	902	5,734	285	370	191	7,482
Unallocated liabilities						11,845
Total liabilities						19,327

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4 Segment and revenue information (Cont'd)

4.1 Reportable segments (Cont'd)

In US\$' 000	The Group				
	Six months ended 30 June 2020				
	Distribution of films	Production of films	Leasing of equipment	Others*	Total
Revenue	712	3,843	578	425	5,558
Cost of sales	(369)	(3,411)	(473)	(244)	(4,497)
Share of results of associated companies	—	—	—	(797)	(797)
Gain on project investment	—	—	—	—	—
Impairment loss on property, plant and equipment	—	—	(937)	—	(937)
Impairment loss on film production inventories	(599)	—	—	—	(599)
Segment gross results	(256)	432	(832)	(616)	(1,272)
Selling and general & administrative expenses	(287)	(1,542)	(232)	(171)	(2,232)
Segment net results	(543)	(1,110)	(1,064)	(787)	(3,504)
Unallocated other income:					
Other income and gains					190
Interest income					46
Unallocated expenses:					
Depreciation and amortisation					(865)
Other expenses					(132)
Finance costs					(178)
Loss before tax					(4,443)
Tax credit					158
Loss for the period					(4,285)
Segment assets	1,049	5,224	1,986	33,562	41,821
Unallocated assets					25,576
Total assets					67,397
Segment liabilities	602	3,251	563	360	4,776
Unallocated liabilities					11,969
Total liabilities					16,745

* This comprised of talent management business segment which contributed a revenue of US\$217,919 or 4% of the total revenue. Given that its contribution is less than 10% of the revenue, therefore it was not separately disclosed as a reportable segment in six months ended 30 June 2020.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4 Segment and revenue information (Cont'd)

4.2 Disaggregation of revenue

In US\$' 000	The Group					
	Six months ended 30 June 2021					
	Distribution of films	Production of films	Leasing of equipment	Talent management	Others	Total
Type of revenue:						
Production of films	—	7,573	—	—	—	7,573
Distribution of films and others	1,190	—	—	—	—	1,190
Leasing of equipment	—	—	106	—	—	106
Restaurant sales and café lounge business	—	—	—	—	133	133
Photography	—	—	—	—	49	49
Talent management	—	—	—	489	—	489
Others	—	—	—	—	71	71
Total revenue	1,190	7,573	106	489	253	9,611
Timing of revenue recognition:						
At a point in time	—	—	—	—	133	133
Over time	1,190	7,573	106	489	120	9,478
Total revenue	1,190	7,573	106	489	253	9,611
Geographical information:						
South Korea	1,190	7,573	106	489	253	9,611
Total revenue	1,190	7,573	106	489	253	9,611

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4 Segment and revenue information (Cont'd)

4.2 Disaggregation of revenue (Cont'd)

In US\$' 000	The Group				
	Six months ended 30 June 2020				
	Distributio n of films	Production of films	Leasing of equipment	Others*	Total
Type of revenue:					
Production of films	—	3,843	—	—	3,843
Distribution of films and others	712	—	—	—	712
Leasing of equipment	—	—	578	—	578
Sales of content	—	—	—	25	25
Consulting services	—	—	—	7	7
Restaurant sales and café lounge business	—	—	—	142	142
Photography	—	—	—	50	50
Others	—	—	—	201	201
Total revenue	712	3,843	578	425	5,558
Timing of revenue recognition:					
At a point in time	249	—	—	167	416
Over time	463	3,843	578	258	5,142
Total revenue	712	3,843	578	425	5,558
Geographical information:					
South Korea	712	3,843	578	425	5,558
Total revenue	712	3,843	578	425	5,558

* This comprised of talent management business segment which contributed a revenue of US\$217,919 or 4% of the total revenue. Given that its contribution is less than 10% of the revenue, therefore it was not separately disclosed as a reportable segment in six months ended 30 June 2020.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020:

		The Group		The Company		
		31 June 2021	31 December 2020	31 June 2021	31 December 2020	
Note		US\$'000	US\$'000	US\$'000	US\$'000	
Financial Assets						
	Financial assets at fair value through profit or loss	9	4,494	4,922	357	357
	Cash and bank		5,369	4,343	60	237
	Trade and other receivables (Amortised cost) [#]		5,599	7,389	2,449	2,208
			15,462	16,654	2,866	2,802
Financial liabilities						
	Financial liabilities at fair value through profit or loss		509	308	—	—
	Trade and other payables (Amortised cost) [*]		12,140	12,439	3,023	3,450
			12,649	12,747	3,023	3,450

Excludes prepayments and advance payments

* Excludes deferred income and advance received

6. Loss before taxation

The following items have been included in arriving at loss before tax:

	Group	
	6M 2021 US\$'000	6M 2020 US\$'000
Income		
Interest income	56	46
Expenses		
Interest expense	105	178
Depreciation on property, plant and equipment	1,226	1,074
Amortisation of intangible assets	122	273
Impairment loss on property, plant and equipment	—	937
Impairment loss on film production inventories	—	599
Fair value loss on investments in financial assets at FVTPL	—	17
Foreign exchange loss, net	149	81

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. Tax credit

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	6M 2021 US\$'000	6M 2020 US\$'000
Current income tax	6	(36)
Deferred income tax	(1)	194
	5	158

8. Net asset value

	Group		Company	
	30 June 2021 US\$	31 December 2020 US\$	30 June 2021 US\$	31 December 2020 US\$
Net asset value	28,868,922	32,635,176	31,739,896	31,326,021
Net asset value per ordinary share	0.015	0.017	0.017	0.016

Net asset value per share for both periods is computed based on the number of shares in issue of 1,901,657,319 (excluding treasury shares).

9. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise the following:

	Group	
	30 June 2021 US\$'000	31 December 2020 US\$'000
Non-current		
Unquoted equity investments in Singapore	357	357
Investment in insurance products	849	854
	1,206	1,211
Current		
Investment in film funds	1,652	1,439
Investment in theatrical projects	1,636	2,272
	3,288	3,711
	4,494	4,922

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

9. Financial assets at fair value through profit or loss (Cont'd)

Unquoted equity shares represent the Group's and Company's interest in two companies in Singapore which are engaged in skincare and food and beverage related activities. The fair value of unquoted equity shares of one investee company is determined based on recent transacted prices of the investee company's equity as well as internal or external changes in the business and market environment that the investee operates in. The fair value of unquoted equity shares of the other investee company remains at US\$ Nil as the investee company is in the process of liquidation. The fair value measurements are categorised in Level 3 of the fair value hierarchy.

The fair value of the investment in insurance products is determined by reference to the funds statements as at the balance sheet date provided by the respective investment managers. These are classified within Level 2 of the fair value hierarchy.

Investment in theatrical projects represents the Group's financing of production and marketing expenditure that are associated with specific film titles. The fair value of investment in theatrical projects is determined based on the stage of production of the underlying films. Investment in theatrical projects as at 31 December 2020 mainly relates to one film which is in the early stages of production as at the balance sheet date and the fair value of the investment has been determined to approximate the cost of the investments. The remaining amounts relate to films which have been released in the theatres and the fair values are determined based on the future cash flows expected to be received by the Group. The fair value measurement is categorised in Level 3 of the fair value hierarchy.

During the interim period, the Group collected US\$536,906 and US\$20,042 from partial withdrawal from film's investment in *BOSTON 1947* and settlement for *GOLDEN SLUMBER* respectively.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
The Group – 30 June 2021				
Financial assets				
Financial assets at fair value through profit or loss	–	849	3,645	4,494
The Group – 31 December 2020				
Financial assets				
Financial assets at fair value through profit or loss	–	854	4,068	4,922

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

10. Intangible assets

Group	Acquired libraries US\$'000	Software US\$'000	Goodwill US\$'000	Customer contracts US\$'000	Customer relationships US\$'000	Copyrights US\$'000	Total US\$'000
As at 30 June 2021							
Cost	104	205	13,514	693	1,217	280	16,013
Accumulated amortization and impairment	(28)	(189)	(7,800)	(684)	(767)	–	(9,468)
Net book amount	76	16	5,714	9	450	280	6,545
As at 31 December 2020							
Cost	97	212	13,514	693	1,217	270	16,003
Accumulated amortization and impairment	(28)	(177)	(7,800)	(683)	(664)	–	(9,352)
Net book amount	69	35	5,714	10	553	270	6,651

Company	Software US\$
As at 31 December 2020 and 30 June 2021	
Cost	277
Accumulated amortization and impairment	–
Net book value	277

Impairment testing

Goodwill that has an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. No impairment indicators were identified as at 30 June 2021 based on the CGU's business performance. The Group performed its annual impairment test in December 2020. The key assumptions used to determine the recoverable amount for the CGU were disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

11. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment amounting to US\$246,148 (30 June 2020: US\$40,632) and disposed of assets amounting to US\$1,906 (30 June 2020: US\$ Nil).

12. Borrowings

	Group		Company	
	30 June 2021 US\$'000	31 December 2020 US\$'000	30 June 2021 US\$'000	31 December 2020 US\$'000
Amount repayable within one year or less, or on demand				
Unsecured loans	4,022	3,848	211	582
Secured loans ⁽¹⁾	1,523	2,357	—	—
	5,545	6,205	211	582
Amount repayable after one year				
Unsecured loans	885	919	2,309	2,213
Secured loans ⁽²⁾	1,347	1,435	—	—
	2,232	2,354	2,309	2,213
Total loans and borrowings	7,777	8,559	2,309	2,795

Notes:

- (1) The Group's short-term borrowings are secured by guarantees from Korea Credit Guarantee Fund ("KCGF") and Shinhan Credit Guarantee Fund ("SCGF"), a mortgage of the land and building of the Group, a personal guarantee by a subsidiary's chief executive officer and the film *JESTERS: THE GAME CHANGERS* by Seoul Guarantee Insurance Co., Ltd.
- (2) The Group's long-term borrowings are secured by a guarantee from SCGF and a mortgage of the land and a building

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

13. Share capital

	<u>Number of shares</u>	<u>US\$</u>
Fully paid ordinary shares:		
As at 1 January 2021 and 30 June 2021	<u>1,949,225,819</u>	<u>70,007,456</u>
Treasury shares:		
As at 1 January 2021 and 30 June 2021	<u>47,568,500</u>	<u>679,698</u>

There was no movement in the issued and paid-up capital of the Company since 31 December 2020. The Company did not have any outstanding options or convertibles as at 30 June 2021 and 30 June 2020.

There were 47,568,500 treasury shares, representing 2.50% of the total number of outstanding shares in issue (excluding treasury shares) of 1,901,657,319 as at 30 June 2021. There were 27,568,500 treasury shares, representing 1.43% of the total number of outstanding shares in issue (excluding treasury shares) of 1,921,657,319 as at 30 June 2020.

There are no sales, transfers, disposals, cancellation and/or use of treasury shares during and as at end of the current financial period reported on.

There are no subsidiary holdings during and as at end of the current financial period reported on.

14. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES

1. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The condensed interim consolidated statement of financial position of Spackman Entertainment Group Limited and its subsidiaries as at 30 June 2021 and the related condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. **Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-**

- a) **Updates on the efforts taken to resolve each outstanding audit issue.**
- b) **Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

On 3 September 2020, the Exchange issued Regulatory Actions/Notice of Compliance to the Company in which it directs company's Audit & Risk Management Committee ("**ARMC**") to perform a holistic review on the past acquisitions in SMGL. As at the date of this report, the ARMC review is still on-going.

3. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

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OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES (CONT'D)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

a) Revenue

	Group	
	6M 2021 US\$ million	6M 2020 US\$ million
Production of films	7.57	3.84
Distribution of films and others	1.19	0.71
Leasing of equipment	0.11	0.58
Sales of content	—	0.02
Consulting services	—	0.01
Restaurant sales and café lounge business	0.13	0.14
Photography	0.05	0.05
Talent management	0.49	0.21
Others	0.07	—
	9.61	5.56

Revenue increased by 73% year-on-year (“YoY”) to US\$9.61 million in 6M 2021, mainly due to an increase of US\$3.73 million from production of films mainly due to higher percentage-of-completion “POC” incurred in 6M 2021 for *BROKER* (produced by Zip Cinema Co., Ltd. “**Zip Cinema**”) and *THE BOX* (produced by Studio Take Co., Ltd. “**Studio Take**”) of US\$6.60 million and US\$0.53 million respectively as compared to the production costs that were incurred in 6M 2020 for *#ALIVE* and *GUARDIAN* of total US\$3.60 million.

b) Cost of sales

	Group	
	6M 2021 US\$ million	6M 2020 US\$ million
Production of films	7.44	3.41
Distribution of films and others	0.54	0.37
Leasing of equipment	0.66	0.47
Sales of content	—	0.02
Consulting services	—	—
Restaurant sales and café lounge business	0.05	0.07
Talent management	0.42	0.16
Others	0.03	—
	9.14	4.50

Cost of sales increased by 103% YoY to US\$9.14 million in 6M 2021, mainly due to an increase of US\$4.03 million from production of films mainly due to higher production costs incurred in 6M 2021 for *BROKER* and *THE BOX* for US\$6.11 million and US\$1.09 million respectively, as compared to the production costs that were incurred in 6M 2020 for *#ALIVE* and *GUARDIAN* of total US\$3.40 million respectively.

c) Gross profit

Gross profit registered of US\$0.47 million for 6M 2021 was US\$0.59 million or 56% lower than of its corresponding period in 2020, was mainly a result of the dip in the profitability from leasing of equipment to third parties by Frame Pictures of US\$0.66 million in 6M 2021. Such profit erosion was mainly due to lower leasing revenue because of the COVID-19 pandemic, coupled with its relatively high fixed operating costs.

OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES (CONT'D)

d) Other income and gains

Other income and gains mainly consist of rental income and reversal of allowance of doubtful debts. Other income and gains decreased by US\$0.06 or 33% YoY to US\$0.13 million in 6M 2021 mainly due to a decrease in reversal of allowance of doubtful debts by US\$0.05 million in 6M 2021 as compared to US\$0.10 million in 6M 2020.

e) Selling expenses

Selling expenses increased marginally by US\$0.01 million or 6% YoY to US\$0.18 million in 6M 2021 mainly due to slight increase in business travel numbers due to the lifting of border restrictions and the gradual reopening of air traffic in 6M 2021.

f) General and administrative expenses

General and administrative expenses decreased marginally by US\$0.21 million or 7% YoY to US\$2.73 million in 6M 2021 mainly attributable to a reduction in amortisation of intangible assets by US\$0.15 million in 6M 2021.

g) Other expenses

Other expenses decreased by US\$1.37 million or 82% YoY to US\$0.30 million in 6M 2021 mainly due to absence of non-recurring impairment loss on property, plant and equipment of Frame Pictures of US\$0.94 million and non-recurring impairment loss on film production inventories of US\$0.60 million in 6M 2020. As the COVID-19 outbreak is still rapidly evolving with new variants emerging, management will continually assess the impact of the outbreak on property, plant and equipment and film production inventories.

h) Share of results of associate

The share of results of associate of a loss of US\$0.08 million in 6M 2021 (6M 2020: a loss of US\$0.80 million) was mainly attributable to the losses from the Company's 43.88% owned associated company, Spackman Media Group Limited "SMGL" of US\$0.08 million. The loss registered by SMGL in 6M 2021 was greatly lower than the loss reported in 6M 2020 as there has been a recuperation of talent management revenue due to the restart of filming of TV dramas and movies in South Korea in 6M 2021.

i) Loss before tax

As a result of the above, the Group recorded a lower loss before tax of US\$2.73 million in 6M 2021 as compared to a loss before tax of US\$4.44 million in 6M 2020.

j) Tax credit

The Group recorded tax credit of US\$0.05 million in 6M 2021 (6M 2020: tax credit of US\$0.16 million), mainly because of the loss-making position of the Group in 6M 2021.

OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES (CONT'D)

Consolidated Statement of Financial Position

The Group's non-current assets as at 30 June 2021 were US\$29.54 million, decreased marginally by US\$2.45 million or 8% from US\$31.99 million as at 31 December 2020. The reduction was due to:

- i) decrease in property, plant and equipment by US\$1.04 million was mainly attributable to the depreciation charged during 6M 2021;
- ii) decrease in investment in associated company by US\$0.93 million was mainly attributable to the share of other comprehensive loss of US\$0.84 million from SMGL because of losses arising from the transaction with its non-controlling interest; and
- iii) decrease in trade and other receivables by US\$0.44 million was mainly attributable to reclassification of loan of US\$0.21 million as current given that the loan receivable is due within 12 months.

The Group's current assets amounted to US\$18.66 million as at 30 June 2021. The increase in current assets from US\$18.23 million as at 31 December 2020 was mainly due to an increase in cash and cash equivalents of US\$1.03 million and an increase in contract assets by US\$0.96 million due to increased billings for film contracts that have been fulfilled and performed. The above increase was partially offset by the decrease in film production inventories by US\$ 0.92 million upon the release of *THE BOX* in movie theatre on 24 March 2021.

The Group's non-current liabilities amounted to US\$4.58 million as at 30 June 2021. The slight increase in non-current liabilities from US\$4.34 million as at 31 December 2020 was mainly due to an increase in contract liabilities of US\$0.39 million in relation to advance production budget received prior to the commencement of production activities.

The Group's current liabilities amounted to US\$14.75 million as at 30 June 2021. The increase in current liabilities from US\$13.25 million as at 31 December 2020 was mainly due to an increase in contract liabilities of US\$1.46 million mainly in relation to advance production budget received prior to the commencement of production activities.

OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES (CONT'D)

Consolidated Statement of Cash Flow

As at 30 June 2021, the Group had cash and cash equivalents amounting to US\$5.37 million as compared to cash and cash equivalents amounting to US\$6.80 million as at 30 June 2020.

The significant cash movements during 6M 2021 as compared to 6M 2020 can be summarised as follows:

Cash flow generated from operating activities for 6M 2021 amounted to US\$0.92 million as compared to cash generated from operating activities of US\$1.82 million for 6M 2020. Despite the loss registered for 6M 2021, the net cash generated from operating activities was mainly a result of the advance production budget received of US\$1.85 million prior to the commencement of production activities.

Cash flow generated from investing activities for 6M 2021 was US\$0.19 million as compared to cash flow used in investing activities of US\$1.30 million for 6M 2020. The cash flow generated from investing activities for 6M 2021 was mainly a result of the collection of short-term loan receivables and receipt of proceeds arising from the partial withdrawal from a film's investment, *BOSTON 1947*.

Cash flow used in financing activities was US\$0.09 million for 6M 2021 as compared to cash flow generated from financing activities of US\$2.71 million for 6M 2020. The cash used in financing activities in 6M 2021 was for the settlement of borrowings and lease liabilities, as well as the servicing of interest payments.

4. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES (CONT'D)

5. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Film Production

Following *#ALIVE*, the Group's upcoming major film with the working title, *BROKER*, shall be produced by Zip Cinema. To be directed by Japanese film director, Kore-eda Hirokazu, who won the 2018 Palme d'Or at the Cannes Film Festival for his film *SHOPLIFTERS*, *BROKER* will be his first ever Korean production. Popular Korean actor-singer IU shall be joining the star-studded cast in *BROKER*, which comprises Song Kang-ho, Gang Dong-won and Bae Doona.

Following *STONE SKIPPING*, the Group's indirect wholly-owned subsidiary, Studio Take, released its second film *THE BOX* in Korea on 24 March 2021 which debuted in 11 countries including USA, Singapore, Indonesia, Vietnam, Japan, and Australia. The film was directed by Yang Jung Woong, the Executive Producer of the 2018 PyeongChang Winter Olympics opening and closing ceremonies.

Studio Take's next film, *GUARDIAN*, is expected to be released in Korea by 2022 or 2023.

The Group also owns a 20% equity interest in The Makers Studio, which plans to produce and release four upcoming films, the first of which will be *THE ISLAND OF THE GHOST'S WAIL*, a comedy horror film.

Impact from COVID-19

In terms of distribution, COVID-19 affected the release timing of the Group's projects such as *#ALIVE*, *STONE SKIPPING*, *THE BOX* and *GUARDIAN*. In terms of production and other related projects such as camera equipment leasing and artist-related projects, if the COVID-19 situation continues to prolong, the Group anticipates disruptions as well due to the COVID-19 measures and restrictions implemented at the workplace and the social environment.

As to the financial aspect, in the short term, investors may be less keen to invest into the movie business due to the uncertainties brought about by COVID-19. In the near future, the Group expects that participation in producing, and financing film projects will continue to be challenging. However, the Group plans to pursue opportunities to produce, finance and participate in US films targeted for the global audience, in line with its intention to strategically diversify into the production and financing of US movies and to overhaul the overall direction of the Group's business.

Independent Review

As announced by the Company on 16 April 2021, the first draft of the independent review report is expected to be made available to the Company's Audit & Risk Management Committee ("ARMC") by the mid/end of the third quarter of 2021. The ARMC, SGX RegCo and the Company's Sponsor will review and discuss the draft independent review report with the Independent Reviewer. The independent review is still in progress and there is not any finding to date that is conclusive.

OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES (CONT'D)

6. Dividend Information

- a) *Current Financial Period Reported on:* Any dividend declared for the current financial period reported on?
No Interim Dividend is declared.
- b) *Corresponding Period of the Immediately Preceding Financial Year:* Any dividend declared for the corresponding period of the immediately preceding financial year?
No.
- c) Date payable:
Not applicable
- d) Record date:
Not applicable.

7. If no dividend has been declared/recommended, a statement to that effect and reason(s) for the decision.

No interim dividend for the half year ended 30 June 2021 (30 June 2020: Nil) is recommended as the Group intends to conserve cash for working capital use.

OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES (CONT'D)

8. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for interested person transactions.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (S\$'000)
Eugene Lee (Executive Director and Chief Producer of the Company)	733 ⁽¹⁾	Not applicable

Note:

(1) Relates to total loan extended from Zip Cinema to Eugene Lee including interest due, comprising a loan of KRW200 million extended on 2 August 2017, an additional loan of KRW380 million extended on 25 October 2018, and an additional loan of KRW300 million extended on 29 April 2020. Each of the loans have a tenure of 1 year and interest payable is at 4.6% per annum. The loans extended on 2 August 2017 and 25 October 2018 had been renewed subsequently. On 30 March 2021 and 20 April 2021, partial loan repayments of KRW160 million and KRW200 million were received accordingly.

9. Use of Placement proceeds

The Company refers to the net proceeds amounting to S\$5.35 million raised from the placement of 743,611,111 new ordinary shares of the Company as announced on 27 May 2020 (the "Placement").

The status on the use of the Placement proceeds as at the date of this announcement is as follows:

OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES (CONT'D)

9. Use of Placement proceeds (Cont'd)

Use of proceeds	Amount allocated (S\$'000)	Amount after first reallocation ⁽²⁾ (S\$'000)	Amount after second reallocation ⁽³⁾ (S\$'000)	Amount after third reallocation ⁽⁴⁾ (S\$'000)	Amount utilized (S\$'000)	Balance (S\$'000)
New business investments and acquisitions	3,207	2,000	1,000	-	-	-
Repayment of borrowings	1,336	1,336	1,436	1,360	(1,360)	-
General working capital ⁽¹⁾	802	2,009	2,909	3,985	(3,395)	590
Total	5,345	5,345	5,345	5,345	(4,755)	590

Notes:

(1) Utilised for:

- Personnel expenses (S\$404,637);
- Audit and professional fees (S\$310,618);
- Rental expenses (S\$208,969); and
- Others (S\$47,225)

(2) In six months ended 30 June 2020, the Company has reallocated S\$1,207,000 for new business investments and acquisitions to general working capital to accommodate to the changing business environment.

(3) In six months ended 31 December 2020, the Company has reallocated a further S\$1,000,000 for new business investments and acquisitions to general working capital and repayment of borrowings to accommodate to the changing business environment of S\$900,000 and S\$100,000 respectively.

(4) In six months ended 30 June 2021, the Company has reallocated a further S\$1,000,000 and S\$75,746 for new business investments and acquisitions and repayment of borrowings respectively, to general working capital to accommodate to the changing business environment.

10. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7H under Rule 720(1) of the Listing Manual of the SGX-ST.

OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES (CONT'D)

11. Negative Assurance Confirmation on Interim Financial Results Pursuant to Rule 705(5) of the Listing Manual

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the condensed interim financial results for the half year ended 30 June 2021 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Na Kyoungwon
COO and President

Richard Lee
Non-executive Director

Date: 13 August 2021

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes 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 Mr. Mah How Soon, Registered Professional, at 6 Raffles Quay #24-02, Singapore 048580, sponsor@rhtgoc.com.