Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Spackman Entertainment Group Limited

Stock code: 40E

Meeting details:
Date: 29 April 2022
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. On 3 September 2020, the company received a notice of compliance from Singapore Exchange Regulation (SGX RegCo) relating to concerns that certain acquisitions carried out in the past and the proposed divestment may not have been entered into on normal commercial terms and may not be in the interest of the company and its shareholders.

The audit & risk management committee (ARMC) was to carry out a holistic review and to provide SGX RegCo with certain information while the company was not to enter into a binding agreement in relation to the proposed divestment.

In the last update posted by the company on 2 December 2021, the company was still in the process of maxwellisation and the relevant parties are "in the process of finalising their comments". It added that it could not determine the completion date of the report.

(i) **Can the board, especially the ARMC, help shareholders understand the reasons for the delay?**

(ii) **How have the directors facilitated the independent reviewer?**

(iii) It has been more than 1 year 7 months since the NOC and more than 4 months since the first draft was received. **Can the ARMC provide shareholders with an update?**

(iv) **With more than 4 months of maxwellisation and finalising comments, has there been sufficient progress made in the report that the ARMC can consider publishing a summary of the key findings?**

(v) **Has the ARMC considered a voluntary suspension of the trading of the company's shares in the interest of maintaining a fair, orderly and transparent market?**

Q2. The group has three business segments, namely Drama & film production, Talent management and Collaborative business. The group showcases its films, including upcoming films, on pages 3 to 8.

The group sold Zip Cinema to fund its further expansion into the development, production and financing of Korean dramas and the foray into US Hollywood movies.

(i) **What are the lessons gleaned from the successes of other Korean shows, such as Squid Game, and how has it shaped the group's strategy?**

(ii) The Korean star, Wi Ha-jun, is managed the group's associated company, Spackman Media Group Limited ("Spackman Media Group" or "SMGL"). **What are the economic benefits, if any, for the group with the success of Wi Ha-jun in Squid Game?**

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(iii) **Can management elaborate further on the operational and financial impact of the sale of Zip Cinema on the group?**

(iv) **Similarly, for the benefit of shareholders, can the board/management elaborate the financial impact of its shows/actors/actresses becoming a hit on over-the-top (OTT) platforms?**

(v) **What is the basis of management's confidence that it can successfully co-produce and finance US/Hollywood films and drama series?**

Q3. On 14 April 2022, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2021 following the finalisation of audit.

The announcement on the unaudited financial results for the financial year ended 31 December 2021 was first released via SGXNet on 28 February 2022. The announcement of material variance came more than 6 weeks after the company first announced the unaudited
financial statements.

Following the finalisation of audit, the company's profit after tax from continuing operation decreased from US$2.02 million to US$657,000 while revenue increased significantly from US$3.18 million to US$14.93 million.

The variances were as large as US$11.8 million.

Reasons provided by the company for the variances include:
- Reclassification of US$843,526 from long-term borrowings to short-term borrowings as the debenture matures within next 12 months
- Recognition of higher share of loss (US$107,182)
- Reclassification of gain from disposal of subsidiary from other income and gains to discontinued operation
- Reclassification of loan interest from finance cost to interest income

(i) **Is the group (including its officers) familiar with the Singapore Financial Reporting Standards (International)?**

(ii) **How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**

(iii) **Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**

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(iv) **What role did the AC play in the preparation of the financial statements? Was it adequate? What were the reasons debenture maturing within 12 months were (wrongly) classified as long-term borrowings?**

(v) **What changes have been made/will be made to the group's financial reporting systems and processes?**

[Additional feedback] For the annual general meeting scheduled to be held on 29 April 2022 at 3.00pm, the company posted the following documents on 14 April 2022, Thursday, between 8:57 pm to 9:03 pm:

Date & Time	Issuer Name	Security Name	Title	Category
14 Apr 2022 09:03 PM	SPACKMAN ENTERTAINMENT GROUP LIMITED	SPACKMAN ENTERTAINMENT GRP LTD	Annual Reports and Related Documents::	Annual Reports and Related Documents
14 Apr 2022 09:01 PM	SPACKMAN ENTERTAINMENT GROUP LIMITED	SPACKMAN ENTERTAINMENT GRP LTD	Annual General Meeting::Voluntary	Annual General Meeting
14 Apr 2022 08:59 PM	SPACKMAN ENTERTAINMENT GROUP LIMITED	SPACKMAN ENTERTAINMENT GRP LTD	Financial Statements and Related Announcement::Discrepancies between unaudited and audited accounts	Financial Statements
14 Apr 2022 08:57 PM	SPACKMAN ENTERTAINMENT GROUP LIMITED	SPACKMAN ENTERTAINMENT GRP LTD	Financial Statements and Related Announcement::Auditor's Comments of Accounts	Financial Statements

(Source: company annual report)

The company's cut-off for shareholders to submit the question is 5:00 pm on 18 April 2022. It is noted that 15 April 2022 is a public holiday in Singapore. Essentially, the company has only given shareholders a single working day to review the auditor's comments, the discrepancies between unaudited and audited accounts, the notice of meeting and the 161-page annual report before submitting their questions by the deadline.

(i) **Can the independent directors help shareholders understand the reasons for the early cut-off? Did the directors consider it reasonable to give such short notice?**

(ii) **Since this practice does not appear to be in line with SGX requirements and guidance, would the board be pushing back the cut-off to give shareholders the time to review the material?**

(iii) **Would the board consider adding live Q&A and live voting features at the AGM?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)