

G.H.Y CULTURE & MEDIA HOLDING CO., LIMITED
(Company Registration No. 337751)
(Incorporated in the Cayman Islands on 29 May 2018)

RESPONSES TO SGX REGCO'S QUERIES ON FY2023 FINANCIAL STATEMENTS

The Board of Directors (the “**Board**”) of G.H.Y Culture & Media Holding Co., Limited (the “**Company**”) and together with its subsidiaries and associated companies, the “**Group**”) sets out below the Company’s responses to the queries from the SGX RegCo received on 8 March 2024, with reference to the Company’s announcement dated 29 February 2024 on the Company’s Financial Statements for the financial year ended 31 December 2023 (“**FY2023 Financial Statements**”).

Q1. We note that the Company made an allowance for expected credit losses amounting to \$6,554,000 for FY2023. It is further disclosed on page 41 of the unaudited financial statements that “As at 31 December 2023, a credit loss allowance of approximately \$1.4 million was made by reference to past default experience of the debtors and an analysis of the debtors’ current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.”. Please disclose:

(a) the amount of trade receivables due from related parties and non-related parties for FY2022 and FY2023 respectively;

Company’s Response:

The trade and note receivables of \$46,742,000 and \$33,754,000 for FY2022 and FY2023, respectively, are due from non-related parties.

Please refer to page 118 of the Annual Report for the full year ended 31 December 2022 (“**FY2022 Annual Report**”), announced on 12 April 2023, for details of trade receivables for FY2022, which are due from related parties. These amounts are collected as at 31 December 2023. There are no trade receivables for FY2023 which are due from related parties.

(b) aging of the Group’s trade receivables;

Company’s Response:

As at 31 December 2023, the aging of the Group’s trade receivables is as follows:

	Trade receivables - days past due						Total
	Unbilled	Not past due	1 to 30 days	31 to 60 days	61 to 90 days	> 90 days	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December 2023							
Estimated total gross carrying amount at default	117	34	1,550	12,199	30	26,214	40,144
Lifetime expected credit losses	-	*	(4)	(101)	-	(6,285)	(6,390)
						<u>33,754</u>	

* Amount less than \$1,000.

Please refer to page 95 of FY2022 Annual Report for details on the aging of the trade receivables balance as at 31 December 2022.

(c) the Company's plans to recover the trade and other receivables;

Company's Response:

Out of the Group's trade and notes receivables as at 31 December 2023, \$20,093,000 have been collected subsequent to 31 December 2023, with \$20,051,000 remaining uncollected as at date of this announcement. \$18,854,000 out of the \$20,093,000 collected relates to trade receivables aged > 90 days.

For the remaining balance of \$20,051,000, the Group has been and/or will:

- a) initiate firm follow-up communication with these debtors including sending reminders via email, letters, or phone calls to remind the customers of overdue payments and prompt payment, among others;
- b) if prompt payment is not made after firm follow-up communication has been initiated, send formal letters of demand to debtors requesting immediate payment and outlining consequences for non-payment, such as legal action;
- c) offer payment plans or instalment agreements to debtors who are unable to pay the full outstanding balance; and
- d) as a last resort, the Group will pursue legal action against debtors who fail to respond to previous attempts at debt recovery. This may involve filing a lawsuit in court to obtain a judgment for the outstanding debt.

(d) the reasons for the impairment on trade and other receivables, including the reasons for delays or non-payment, where applicable;

Company's Response:

The Group made an allowance for expected credit losses amounting to \$6,554,000 in the FY2023 Financial Statements mainly due to:

- a) the slowdown of the economy in the People's Republic of China¹ (the "PRC") which impacted the debtors' ability to make timely payment. These debtors for which the credit loss allowance of approximately \$6.6 million was made are based in the PRC; and
- b) cash flow problems or financial distress experienced by these debtors which have led to their inability to pay outstanding invoices on time or at all or to adhere to agreed payment plans.

The Group is of the view that the credit risks for these debtors have increased significantly during the period under review as these debtors appear unlikely to be able to meet their contractual payment obligations in the near term and adverse changes in the PRC's

¹ Source: Channel News Asia, "Commentary: China's economy will probably get worse before it gets better" published on 2 March 2024, which can be accessed at: <https://www.channelnewsasia.com/commentary/china-economy-recovery-consumer-political-meeting-two-sessions-4159906>

economic and business conditions in the longer term are more likely to reduce the ability of these debtors to fulfil their contractual payment obligations.

- (e) **whether they are major customer(s) and whether the Company continues to transact with these customer(s) and if so, what are the commercial reasons in doing so; and**

Company's Response:

As of the date of this announcement, these debtors are not major customers of the Group and the Group does not have any ongoing transactions with these debtors, save for the outstanding invoices. The Group will prioritise efforts to recover any outstanding debts before deciding whether to continue transacting with these debtors.

- (f) **the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables.**

Company's Response:

The Board is of the opinion that the methodologies used to determine the credit loss allowance of the trade and other receivables as at 31 December 2023 under SFRS(I) 9 *Financial Instruments* are reasonable.

- Q2. It is disclosed on page 22 of the unaudited financial statements that: "investment funds of approximately \$4.5 million received from investors in FY2023 for a soccer tournament titled "China Tournament January 2024" and on page 21 of the unaudited financial statements that: "an increase of approximately \$22.2 million in other receivables mainly due to (a) the collaboration fee and service fees paid to Al Nassr Club Company ("Al Nassr") and third parties respectively for a soccer tournament titled "China Tournament January 2024".**

It is disclosed on page 26 of the unaudited financial statements that: -

"The soccer tournament was scheduled to take place on 24 January 2024 and 28 January 2024 in Shenzhen, PRC. The Group was informed on 23 January 2024 that Cristiano Ronaldo, who is the registered first team player of Al Nassr in the 2023 – 2024 season, was injured and not fit to play in the soccer tournament. Accordingly, the soccer tournament, on such scheduled dates, were cancelled.

The Group is in discussions with the relevant parties involved in the organisation of the soccer tournament following the cancellation of the soccer tournament on the scheduled dates ("Tournament Cancellation"), including ongoing negotiations with Al Nassr on the terms of a supplemental agreement to the collaboration agreement between the Group and Al Nassr ("Supplemental Agreement") for the envisaged postponement of the soccer tournament to the second half of 2024 ("Replacement Tournament").

The Group expects estimated losses of RMB 94.0 million (approximately S\$17.9 million), being the collaboration fee paid to Al Nassr under the collaboration agreement between the Group and Al Nassr and other related costs for the financial year ending 31 December 2024 arising from the Tournament Cancellation and assuming no Replacement Tournament is held. The Group will make its best efforts to mitigate the loss through discussions with Al Nassr on the terms of the Supplemental Agreement and certain fees

paid and/or costs incurred by the Group for such cancelled soccer tournament may be carried forward for set-off against the fees to be paid and/or costs to be incurred by the Group for the Replacement Tournament if any.”

- (a) Please disclose the terms of investments from these investors in respect of the soccer tournament.**

Company's Response:

In respect of the soccer tournament, investment funds from investors represent funds received from third parties for the financing of production and marketing expenditures that are associated with the soccer tournament. Under the terms of the investment agreements between the Group and each investor, the investment funds from investors are not guaranteed based on any principal amount by the Group.

The investors shared the losses arising from the Tournament Cancellation according to a pre-agreed specified percentage based on the proportion of each individual investor's contribution to the total investment amount.

The estimated losses of RMB 94.0 million (approximately S\$17.9 million²), being the collaboration fee paid to Al Nassr under the collaboration agreement between the Group and Al Nassr and other related costs for the financial year ending 31 December 2024 arising from the Tournament Cancellation and assuming no Replacement Tournament is held, is based on the Group's share of the losses for the soccer tournament in accordance with the aforementioned pre-agreed specified percentage.

- (b) Please disclose:**

- (i) whether the total estimated losses include the entire sum of other receivables paid to Al Nassr Club Company and the third parties and investment funds from investors as reflected above; and**
- (ii) any other potential losses which the Group may incur for the cancelled soccer tournament (e.g. penalty arising from agreements in connection with the China Tournament January 2024).**

Company's Response:

The total estimated losses of RMB 94.0 million (approximately S\$17.9 million²) include the entire sum of other receivables paid to Al Nassr and third parties and other potential losses which the Group may incur for the cancelled soccer tournament such as hotel and airfare compensation to customers who purchased the tickets to the soccer tournament and is based on the Group's share of losses for the soccer tournament in accordance with the aforementioned pre-agreed specified percentage.

² Based on the exchange rate of S\$1 : RMB 5.25

- (c) **Please provide an update on the discussions on the Supplemental Agreement and the Replacement Tournament, if any.**

Company's Response:

As at date of this announcement, the Group remains in ongoing discussions with Al Nassr on the terms of the Supplemental Agreement. Please refer to the update announcement dated 27 February 2024 for further information. The Company will make further announcements to keep shareholders informed as and when there are material updates or developments in relation to the soccer tournament and/or the Replacement Tournament, if any.

- (d) **Please disclose whether the collaboration agreement includes provisions or recourse which allow the Company to recover the fees paid and/or costs incurred for such cancellations, taking into consideration that the cancellation arises from the injury of the registered first team player of Al Nassr.**

Company's Response:

The collaboration agreement includes provisions which allow the Company to partially recover fees paid to Al Nassr but does not allow the Company to recover the costs incurred for such cancellations, notwithstanding that the cancellation arises from the injury of the registered first team player of Al Nassr.

The Group will make its best efforts to mitigate the loss through ongoing discussions with Al Nassr on the terms of the Supplemental Agreement and certain fees paid and/or costs incurred by the Group for the cancelled soccer tournament may be carried forward for set-off against the fees to be paid and/or costs to be incurred by the Group for the Replacement Tournament, if any.

- Q3. It is disclosed in the Company's 29 August 2023 announcement, in response to query Q3, that "As at 30 June 2023, the Company has paid a deposit of approximately S\$963,0001 (RM 3,200,000) for the acquisition of shares in a subsidiary as disclosed on page 7 of 6M2023 Financial Statements. The remaining balance of approximately S\$1,700,0002 (RM 5,640,000) is not yet due as at the date of this announcement and payment is conditional upon the conditions precedent under the IMS SPA being fulfilled or waived. (ii) Completion of the proposed acquisition of 100% in IMS has not yet taken place as at the date of this announcement and is conditional upon the conditions precedent under the IMS SPA being fulfilled or waived."**

- (a) **Please provide an update on the acquisition of IMS, including whether the acquisition has been completed.**

Company's Response:

As at the date of this announcement, completion of the proposed acquisition of 100% in IMS has not yet taken place and is conditional upon the conditions precedent under the IMS SPA³ being fulfilled or waived. The Company will make further announcements to keep shareholders informed on the material developments in relation to the IMS SPA.

³ As defined in SGX announcement dated 31 March 2023 with reference: SG230331OTHR04WH.

- (b) It is also disclosed in the Company's announcement dated 31 March 2023 that, completion of the sale and purchase of the Sale Shares under the Share Sale Agreement is expected to be completed before 15 April 2023. Please elaborate on the reasons for the delay.

Company's Response:

The completion of the sale and purchase of the Sale Shares under the Share Sale Agreement had occurred on 18 April 2023. As at the date of the announcement, GHY Malaysia holds 80% of the issued and paid-up share capital of Studio Management Services Sdn Bhd. However, as stated in the response to (a) above, completion of the proposed acquisition of 100% of IMS has not yet taken place as at the date of this announcement.

- Q4. Please disclose a breakdown of the Company's trade and other payables amounting to S\$22,691,000 and S\$9,541,000 as at 31 December 2022 and 31 December 2023 respectively. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.**

Company's Response:

Please refer to the table below for a breakdown of the trade and other payables balances as at 31 December 2022 and 31 December 2023:

	Group	
	31 December 2023	31 December 2022
	\$'000	\$'000
Trade payables:		
Outside parties	2,728	2,646
Other payables:		
Outside parties	915	1,810
Joint operators ⁽ⁱ⁾	35	1,400
With an entity connected to a shareholder of the Company ⁽ⁱⁱ⁾	88	132
With a non-controlling shareholder and director of a subsidiary	40	-
Advance receipts from customers	263	-
Advance receipts from joint operators:		
Outside parties	796	969
With entity connected to a shareholder of the Company	-	6,958
Accruals:		
Outside parties	2,028	3,179
With an entity connected to a shareholder of the Company	167	174
Accrued interest	67	19
Provision	388	107
Deferred income	1,042	969
Listing expense payable	4	10
Value added tax payable and goods and services tax payable	980	4,318
	9,541	22,691

- ⁽ⁱ⁾ As at 31 December 2023, \$35,000 (2022: \$1,400,000) is payable to joint operators, which pertains to the proportionate share of revenue from drama and/or concert productions attributable to the joint operators.

(ii) As at 31 December 2023, \$88,000 (2022: \$132,000) is payable for operating expenses paid on behalf by an entity connected to a shareholder of the Company.

Please refer to pages 117 and 118 of FY2022 Annual Report, announced on 12 April 2023, for details on the trade and other payables balance as at 31 December 2022.

Other payables for outside parties relate to payables to third parties for ongoing costs, including but not limited to payments to service providers for professional fees and operating expenses among others. As at 31 December 2023, approximately 81.1% of the other payables are aged less than 90 days.

Q5. Please provide the disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer in the format provided under Paragraph 20 of the Appendix 7.2.

Company's Response:

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Guo Jingyu	50	Director and substantial shareholder of the Company	Position and duties: Executive Chairman and Group CEO Appointment date: 29 May 2018	N.A.
Yue Lina	49	Spouse of Mr. Guo Jingyu, a director and substantial shareholder of the Company	Position and duties: Executive Director Appointment date: 23 November 2020	N.A.
Venessa Lian	53	Spouse of Mr. John Ho, a substantial shareholder of the Company	Position and duties: Group Deputy Chief Executive Officer Appointment date: 14 May 2021	N.A.

Except for Mr. Guo Jingyu, Ms. Yue Lina and Ms. Venessa Lian, each of whom is either an Executive Director or Executive Officer of the Group, there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

Q6. Please explain why interest income amounted to only S\$563,000 during the financial year ended 31 December 2023 when the Company has significant cash and bank balance amounting to S\$51,100,000 and earns a fixed interest of 2% per annum for its restricted bank deposits.

Company's Response:

The Group reinvests its cash and bank balance in its ongoing drama, film and concert productions and maintains adequate working capital reserves for operational flexibility and liquidity and to serve as buffer against unforeseen events, reducing reliance on external financing during challenging times.

As disclosed on page 11 of FY2023 Financial Statements, the Group's restricted bank deposits carrying fixed interest at 2.0% per annum amounted to S\$3,772,000 as at 31 December 2023.

**By Order of the Board
G.H.Y CULTURE & MEDIA HOLDING CO., LIMITED**

Guo Jingyu
Executive Chairman and Group CEO
15 March 2024