



RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Board of Directors (the “Board”) of GSH Corporation Limited (the “Company”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 12 September 2023, in relation to Company’s announcement dated 30 August 2023, titled “Update on the appeal against judgement received for Borneo Ventures Pte Ltd” and the Company’s announcement dated 10 August 2023, titled “Half Yearly Results”.

The Board sets out its responses as follows:

Query 1

It is disclosed on page 18 of the unaudited financial statements that, the Group had made a provision of \$10.86 million for the financial year ended 31 December 2022.

Please disclose how the provision amount of \$10.86m was determined and the reason for the reduction in amounts awarded to Borneo Ventures Pte Ltd from S\$11.68 million (which had been recognised as other income in FY 2022) to S\$0.82 million.

Company’s Response:

At the hearing of the appeal on 9 March 2023, the Appellate Division had queried the valuation methodology used by High Court and the parties on the Subject Land, and indicated that such valuation methodology may not have been correct. Based on an alternative valuation methodology which the Appellate Division was considering, when reserving judgment in the appeal, the amount of damages and interests to be awarded to Borneo would have been reduced by about S\$10.86 million. The provision amount of S\$10.86 million was therefore made for the financial year ended 31 December 2022 in the event that the eventual decision of the Appellate Division would be based on the said alternative valuation methodology.

In the judgment dated 30 August 2023 of the Appellate Division, the Appellate Division held that the valuation methodology used in the High Court was wrong, and instead adopted the said alternative valuation methodology in determining the amount of damages to be awarded to Borneo Ventures Pte Ltd.

Query 2

It is disclosed on page 21 of the unaudited financial statements that, administrative expenses in 1H2023 rose by S\$3.1 million to S\$12.2 million, due mainly to higher personnel expenses, maintenance and utilities expenses from the Group's hospitality segment. Please provide a breakdown of the administrative expenses by nature and explain the factors leading to the increase in administrative expenses in 1H2023 as compared to 1H2022.

Company's Response:

Breakdown of the administrative expenses are as follows:

	1 st Half Year Ended		
	30.06.2023	30.06.2022	+/-
	Unaudited	Unaudited	
	S\$'000	S\$'000	S\$'000
Employee benefit expenses	5,910	3,988	1,922
Depreciation	1,083	1,044	39
Utilities expenses	1,605	1,364	241
Maintenance expenses	1,199	923	276
Property tax, quit rent and assessment fees	832	861	(29)
Legal fees	260	(365)	625
Other administrative expenses	1,345	1,307	38
	12,234	9,122	3,112

The factors leading to the increase in higher personnel expenses, maintenance and utilities expenses mainly arose from the Group's hospitality segment, where the Group's hospitality business continued to recover and posted a 88% increase in revenue from S\$12.2 million in 1H2022 to S\$23.0 million in 1H2023.

For 1H2022, there was a reversal of over-accrual of legal fees which amounted to S\$415,000.

Query 3

It is disclosed on page 12 of the unaudited financial statements that, the Company borrowed and entered into two short-term shareholder loan agreements with a controlling shareholder for loans amounted to \$30,000,000 during 1H 2023.

Please disclose:

- (i) details of the loan, including the terms of the loan, interest on loans and maturity dates;
- (ii) the identity of the lender; and
- (iii) the use of proceeds from the loan.

Company's Response:

The interests for the loans are at 6.75% per annum. The maturity dates of the two loans (each S\$15 million) are on 16 February 2024 and 15 March 2024 respectively. The identity of the lender is Dr. Sam Goi. The proceeds from the loan were used to fund the Group's Chongqing hotel and residential development.

Query 4

It is disclosed in the Company's FY2022 annual report that, included in other receivables of the Group is an amount of \$11,464,000 (2021: \$11,464,000) due from its joint venture partner in relation to potential penalties for the late commencement of construction for one of the Group's projects.

Please disclose:

- (i) an update with regard to the potential penalties;
- (ii) what were the actions taken to recover these other receivables;
- (iii) whether any impairment has been recognized in respect of these other receivables; and
- (iv) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies and assumptions used to determine whether any impairment is required, including its bases of assessment; and
- (v) the Board's assessment of the recoverability of the remaining trade and other receivables.

Company's Response:

As disclosed under Note 17 of the Financial Statements in the FY2022 annual report, a corresponding accrued liabilities of the same amount was made. The Group has obtained an indemnity from the joint venture partner for the project against the potential penalties. As of the date of this announcement, the penalties have not been enforced and paid. Accordingly, the Group did not recover these other receivables from the joint venture partner. No impairment is recognised as in the event the penalties are enforced and had to be paid, the joint venture partner has sufficient financial resources to repay the Group. The Board confirmed that it is satisfied with the reasonableness of the methodologies and assumptions used to determine whether any impairment is required, including its bases of assessment. Except for the amounts which are provided for in the Financial Statements, the Board is of the view that the remaining trade and other receivables are recoverable.

Query 5

Given the Group's significant short-term liabilities of S\$382,353,000 and cash and bank balance of only S\$61,639,000 at the end of the financial period, and noting that the Company incurred losses of S\$12,989,000 in 1HFY2023, please disclose the Board's assessment on (i) whether the Company's current assets are adequate to meet the Company's short term liabilities of S\$382,353,000, including its bases of assessment; and (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response:

Taking into consideration the Group's current assets which amounted to S\$707,551,000, and the Group's forecast of its cash flows, the Group has adequate financial resources to meet its current payment obligations as and when they fall due. These payment obligations will be financed from a combination of collections, new revenues, available undrawn loan facilities and proven fund raising through debt market (such as commercial papers). The current liabilities included shareholder loans of \$80,000,000. These shareholder loans may be extended when they mature.

By Order of the Board

Gilbert Ee Guan Hui
CEO / Executive Director

14 September 2023