

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

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**RESPONSES TO SGX REGCO'S QUERIES ON 6M2022 FINANCIAL STATEMENTS**

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DBS Bank Ltd. and UOB Kay Hian Private Limited are the joint issue managers and global coordinators (the "**Joint Issue Managers and Global Coordinators**") for the initial public offering of shares in, and listing of, G.H.Y Culture & Media Holding Co., Limited on the Main Board of the Singapore Exchange Securities Trading Limited. The Joint Issue Managers and Global Coordinators assume no responsibility for the contents of this announcement.

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 22 August 2022, with reference to the Company's announcement dated 11 August 2022 on the Company's Financial Statements for the half year ended 30 June 2022 ("**6M2022 Financial Statements**").

**Q1. It is stated in the Company's financial statements for the half year ended 30 June 2022 that, "Entities which the Group is conferred operational control and economic rights over, and the Group is able to exercise control over the business operations of such entities and enjoy substantially all the economic rights arising from the business of such entities. The Group regards each PRC Affiliated Entity as a controlled structured entity and consolidates the financial positions and results of operations of the PRC Affiliated Entities in the financial statements of the Group." Please disclose:**

**(i) whether the Company has any interest, including shareholdings interest, in these PRC Affiliated Entities;**

**Company's Response:** The Company does not have any equity interest in the PRC Affiliated Entities. As stated in the Company's prospectus dated 11 December 2020 (the "**Prospectus**"), the Company, as a foreign investor under the current PRC regulatory regime, has, through its wholly-foreign owned enterprises, namely Tianjin Xinyuan Culture & Broadcast Co., Ltd. (天津信遠文化傳播有限公司) and Beijing Xinyuan Culture & Broadcast Co., Ltd. (北京信遠文化傳播有限公司) (the "**GHY WFOEs**"), entered into contractual arrangements (the "**Contractual Arrangements**", which are further described in the Prospectus and the Company's annual report for the financial year ended 31 December 2021 ("**FY2021 Annual Report**") with the shareholders of the PRC Affiliated Entities (who directly or indirectly hold the entire equity interest in each of the PRC Affiliated Entities) (the "**Individual Shareholders**") in respect of the PRC Affiliated Entities, each of which holds the requisite permits for TV program and film production and operation (including distribution of TV programs and films produced overseas (海外引進)) in the PRC.

**(ii) how the Group is able to exercise control over the business operations of such entities; and**

**Company's Response:** As stated in the Prospectus, in order to comply with the foreign ownership prohibitions under the applicable PRC laws and regulations while maintaining effective control over the operations of the PRC Affiliated Entities in the PRC, the Group has, through the GHY WFOEs, entered into the Contractual Arrangements with the

Individual Shareholders and each of the PRC Affiliated Entities, which allow the Group to exercise control over the business operations of each of the PRC Affiliated Entities and enjoy substantially all the economic rights arising from the business of the PRC Affiliated Entities, by way of the service fees payable by the PRC Affiliated Entities to the Group. The Individual Shareholders (namely Mr. Guo Jingyu, the Executive Chairman and Group CEO, and Mr. Xue Xin, the Senior Director of TV Program and Film Production of the Group, who directly or indirectly hold the entire equity interest in each of the PRC Affiliated Entities) are parties to the Contractual Arrangements to ensure that the shareholders' rights in the PRC Affiliated Entities are actually controlled by the Group.

The Contractual Arrangements have been in place since November 2020, as stated in the Prospectus. As stated in the FY2021 Annual Report, the Board has undertaken a periodic review of the Contractual Arrangements and confirmed that, *inter alia*, there were no material changes to the terms of the Contractual Arrangements during FY2021. As at the date of this announcement, there were no changes to the Contractual Arrangements.

**(iii) how these PRC Affiliated Entities are accounted for at the Company level.**

**Company's Response:** As stated in the Prospectus and the FY2021 Annual Report, as a result of the Contractual Arrangements, the Contractual Arrangements confer operational control and economic rights arising from the business of PRC Affiliated Entities to the Group, which enables the Group to exercise power over the business operations of PRC Affiliated Entities, and enjoy substantially all the economic rights arising from the business of the PRC Affiliated Entities, and enables the Company, through the GHY WFOEs, to have rights to variable return from its involvement with the PRC Affiliated Entities; and to have the ability to use its power to affect its return. Therefore, the Company is considered to control the PRC Affiliated Entities. Consequently, the Company regards PRC Affiliated Entities as controlled structured entities and consolidates the financial positions and results of operations of these entities in the financial statements of the Group

Please refer to the following for further information on the Contractual Arrangements in respect of the PRC Affiliated Entities:

- (a) the sections entitled "Corporate Structure and Ownership – Contractual Arrangements in respect of our PRC Affiliated Entities" and "Management's Discussion and Analysis of Financial Condition and Results of Operation – Audited Combined Financial Statements – Basis of Consolidation" of the Prospectus; and
- (b) the section entitled "Contractual Arrangements" in the FY2020 Annual Report and FY2021 Annual Report announced on 14 April 2021 and 13 April 2022, respectively.

**Q2. Please disclose a breakdown of trade and other payables amounting to \$16,626,000 and \$22,980,000 as at 30 June 2022 and 31 December 2021 respectively.**

**Company's Response:** Please refer to the table below for a breakdown of the trade and other payables balance as at 30 June 2022 and 31 December 2021:

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Trade payables:		
Outside parties	515	978
With entities connected to a shareholder of the Company	-	1,804
Other payables:		
Outside parties	786	643
Joint operators	-	1,201
With an entity connected to a shareholder of the Company	88	269
Advance receipts from joint investors:		
With entities connected to a shareholder of the Company	9,096	9,371
Accruals:		
Outside parties	1,198	2,371
With an entity connected to a shareholder of the Company	186	192
Accrued interest	123	129
Provision	90	79
Deferred income	-	21
Listing expenses payable	10	10
Refund liabilities	92	646
Value added tax payable	4,442	5,266
	<u>16,626</u>	<u>22,980*</u>

\* Please refer to page 125 of the FY2021 Annual Report announced on 13 April 2022 for further details on the trade and other payables balance as at 31 December 2021.

Other payables relate to payables to third parties for ongoing costs, including not limited to professional fees and employer's contributions. Approximately 98.6% of the other payables as at 30 June 2022 are aged less than 60 days.

**Q3. The Company disclosed contract assets representing the Group's right to consideration for TV dramas and films production in progress but unbilled of \$59,684,000. In this regard, please disclose the following:**

**(a) when the contract assets will be realized;**

**Company's Response:** Contract assets are initially recognised for revenue earned from drama and film production to represent the Group's right to consideration for the services transferred

to date. The amounts recognised as contract assets are reclassified to trade receivables upon subsequent billing to the relevant customer. The Group issues invoices in accordance with the contractual billing milestones under the terms of the sales contract signed with the relevant customer. Such billing milestones are typically based on the different stages of pre-production, production, post-production or after the broadcast of the relevant drama or film.

**(b) the projects that the contract assets relate to and whether the counterparties are related parties.**

**Company's Response:** Please refer to the table below for details of the projects that the contract assets as at 30 June 2022 relate to and information on whether the counterparties are related parties:

<b>Project</b>	<b>Amount (S\$'000)</b>	<b>Whether the counterparties are related parties?</b>
Sisterhood 南洋女儿情	25,490	No
Horror Stories of Tang Dynasty 唐朝诡事录	24,934	No
Whimsical World 異想世界	4,568	No
Brave Heart II 勇敢的心 2	4,692	No
	<b>59,684</b>	

**(c) whether the Group has made any impairment of the contract assets and the Board's assessment of the recoverability of the contract assets.**

**Company's Response:** As at 30 June 2022, the contract assets of approximately S\$59,684,000 included a loss allowance of approximately S\$1,211,000. Management assesses the recoverability of contract assets using the expected credit losses model under SFRS(I) 9 *Financial Instruments* which requires management to make significant judgments regarding the identification of impaired contract assets and adequacy of allowance made. Accordingly, management estimates the loss allowance on contract assets at an amount equal to lifetime expected credit losses, taking into account the past default experience of the counterparty and an analysis of the counterparty's current financial position, as adjusted for factors that are specific to the counterparty, and general economic conditions of the industry in which the counterparty operates. As at the date of this announcement, there is no history of payment defaults from these counterparties.

The Board had discussed with management on the analyses and assessments made with respect to recovery of contract assets and reviewed the creditworthiness of these counterparties, and the Board is not aware of any facts or circumstances which will result in these counterparties being unable to make payment to the Group as at the date of this announcement.

(d) the impact of Covid restrictions in China on the contract assets of the Group, if any. If so, please explain if any contracts for the production of the TV dramas and films were cancelled as a result and clarify if some of these contract assets have to be written off if Covid restrictions in China continue resulting in cancellations of production.

**Company's Response:** As stated in the 6M2022 Financial Statements, in March 2022, China began its most extensive COVID-19 lockdown in Shanghai where the drama " Sisterhood 南洋女儿情" was filmed and this resulted in significant disruption of filming and production activities. Accordingly, the filming duration was extended from March 2022 to May 2022. Coupled with the implementation of various COVID-19 related government regulations and safety management measures for the crew and employees, these resulted in higher costs for filming and production. As stated in the 6M2022 Financial Statements, the Group has completed the production of "Sisterhood 南洋女儿情" and does not have any on-site filming activities that are ongoing or planned in the Chinese cities affected by the COVID-19 related lockdown measures.

The filming for the relevant projects that the contract assets relate to (as detailed in the Company's response to Q3(b) above), including "Sisterhood 南洋女儿情", have been completed as at the date of this announcement. These projects have either been broadcasted on the streaming platforms or are in post-production phase as at the date of this announcement. Accordingly, these contracts have not been cancelled, and the contract assets have not been written off, as at the date of this announcement.

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

Guo Jingyu  
Executive Chairman and Group CEO  
24 August 2022