Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: G.H.Y Culture & Media Holding Co., Limited

Stock code: XJB

Meeting details:
Date: 28 April 2022
Time: 4.00 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. The company was listed on 18 December 2020 and it has marked its first full year of listing on the SGX. The group focuses on the production and promotion of dramas, films and concerts in the Asia-Pacific region. It has produced numerous dramas and films in the People's Republic of China ("PRC"), Singapore and Malaysia that have been broadcasted and/or distributed on major TV networks and leading video streaming platforms in the region. The group also engages in concert production, talent management services, and costumes, props and make-up services.

TV Program and Film Production 	• Producer and co-producer of high-quality TV and web dramas and films broadcasted and/or distributed on major TV networks and leading video streaming platforms in the region (e.g. CCTV, iQIYI, Youku, Kuaishou, Tencent Video, Douyin/Tiktok) • Established production teams of experienced directors and producers in both the PRC and Singapore
Concert Production 	• Organiser of concerts for well-known international artistes in Singapore, with upcoming concerts in Malaysia and Australia • Involved in production of concerts in the PRC • Established concert production teams in both Singapore and the PRC
Costumes, Props, and Make-up Services and Talent Management Services 	• Provision of costumes, props and make-up services for drama and film production activities • Exclusive collaboration with award-winning costumes and props designer, Chen Minzheng[1] • Provision of talent management services to more than 60 artistes primarily based in the PRC and/or Singapore

[1] Mr. Chen Minzheng is a well-known designer for costumes, props and make-up in the PRC who has won, among others, the Golden Horse Award for Best Makeup & Costume Design in 2018 and the Asian Film Award for Best Costume Design in 2019.

(Source: company annual report)

In FY2021, the group generated all but $4,000 of the total revenue of $83.3 million in China. In Note 40 (page 142 – Impact of the Coronavirus Disease 2019), the group provided shareholders with a high-level view of the COVID-19 pandemic but not on the latest wave going through China and rest of the world now.

(i) **With the latest wave of COVID-19 infections in China, what is the impact on the group's operations on the production side?**

(ii) **Would the board be updating shareholders and investors in a timely manner via SGXNet announcements?**

(iii) **On the demand side, does the group benefit from higher viewership as the content is consumed through leading video streaming platforms, such as iQIYI, Youku, Kuaishou, Tencent Video, Douyin/Tiktok, and even more so in lockdowns?**

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(iv) **In addition, would China's Zero-COVID policy likely mean that live events, such as concerts and musicals, would once again be pushed back?**

Q2. From the consolidated statement of cash flows, it can be seen that net cash used in operating activities was $46.2 million. This was mainly due to:

- a ramp up of production volume, and hence, there was a net increase in films and drama productions in progress and products of approximately $14.9 million;
- increase in trade and other receivables of approximately $28.5 million mainly due to prepayments made for drama productions and billings;
- increase in contract assets of approximately $7.3 million mainly due to ongoing drama productions;
- a decrease in trade and other payables of approximately $9.1 million

Cash and cash equivalents at the end of the year stood at $32.3 million, compared to $111.9 million a year ago.

(i) **Can the board/management help shareholders understand the cash-generation ability of the group's business?**

(ii) **Was the cash generation and collection slower due to COVID? If so, what was the impact/delay due to COVID?**

(iii) **Does the group have the necessary working capital to fund its activities?**

In addition, the "assessment of recoverability of trade receivables and contract assets from a major customer and a new debtor" is a key audit matter (KAM) highlighted by the independent auditor in their report on the financial statements. As noted in the KAM, there are certain indicators of significant increase in credit risk of the major customer who contributed 60% and 92% of the trade receivables and contract assets balance respectively. Out of the group's trade receivables, this amounted to $29,353,000 of which balances overdue more than 90 days have been fully collected subsequent to year end, with $17,446,000 remaining uncollected as at date of this report. Out of the group's trade receivables, the amount owing from the new debtor of $11,430,000 is not yet past due as at 31 December 2021, $2,142,000 has been collected subsequent to year end based on the progressive payment plan as agreed with the new debtor, with $9,288,000 remaining uncollected as at date of this report.

(iv) **Can the company help shareholders understand why there has been a significant increase in credit risk of the major customer? Has the AC reviewed the creditworthiness of the major customer?**

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(v) Details of the arrangement with the new debtor can be found on page 101 (Note 8 Trade receivables). **Can the audit committee help shareholders understand if they have reviewed the three-party arrangement with the major customer and the new debtor? How common are such arrangements? What are the risks involved?**

(vi) **Can the company disclose the profiles, if not the identities, of the major customer and the new debtor?**

Q3. As at 13 April 2022, the company has bought back 2,703,500 shares by way of market acquisition. The company's share buy-back mandate was first approved on 29 April 2021. The maximum number of shares authorised for purchase is 107,379,200.

From 2 December 2021 to 13 April 2022, the company carried out its share buy-back on 33 occasions.

(i) **How is the company carrying out its share buy-back? Who determines the timing of the share buy-back, the number of shares and the price?**

(ii) **What is the level of oversight by the board?**

In their Regulator's Column titled "What companies should observe when conducting share buy-backs", SGX RegCo had highlighted the risks of companies conducting share buy-backs[1].

(iii) **What are the safeguards put in place to ensure that the share buy-back achieves the desired goal while not causing any distortion to the market?**

(iv) **Can the company confirm that the share buy-backs are not excessive, i.e. the share buy-backs did not exceed 30% of the daily on-market traded volume?**

(v) **Can the company also confirm that the buy-backs were carried out at below 105% of the average closing market price of the security, i.e. the average of the closing market prices over the last 5 consecutive active trading days in the security (Maximum Purchase Price Limit)?**

[1] https://www.sgx.com/media-centre/20181126-what-companies-should-observe-when-conducting-share-buy-backs

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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)