天泓文创
Icon Culture Global Co.Ltd

Icon Culture Global Company Limited
天泓文創國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code：8500)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO

2023 ANNUAL REPORT

Reference is made to the annual report for the year ended 31 December 2023 (the "**2023 Annual Report**") of Icon Culture Global Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") published on 30 April 2024.

The purpose of this supplemental announcement is to provide additional information in respect of the impairment loss and trade receivables for reference and consideration by the shareholders and investors of the Company. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the 2023 Annual Report.

DETAILS OF IMPAIRMENT ASSESSMENT ON TRADE RECEIVABLES

1. Material accounting policies related to expected credit losses ("ECL(s)") assessment

The material accounting policies for, among other things, the measurement of ECL(s) and significant increase in credit risk, have been disclosed in note 1(g)(i) to the consolidated financial statements of the Group for the year ended 31 December 2023 (the "**Group FS 2023**") as set out in the annual report of the Company for the year ended 31 December 2023 ("**FY2023**").

As disclosed in note 1(g)(i) to the Group FS 2023, regarding significant increase in credit risk, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

(1) failure to make payments of principal or interest on their contractually due dates;

(2) an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

(3) an actual or expected significant deterioration in the operating results of the debtor; and

(4) existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss.

2. Increase in ECLs on trade receivables for FY2023

As disclosed in note 5(c) to the Group FS 2023, the Group recognised ECLs (net of reversal) for trade receivables amounted to approximately RMB63,735,000 for FY2023 ("**AR ECLs 2023**").

Individual assessment

The AR ECLs 2023 was mainly attributable to ECLs of approximately RMB62,319,000 contributed by six customers ("**Credit Impaired Customers**"). These Credit Impaired Customers had gross trade receivable amounts for a total of approximately RMB69,768,000 as at 31 December 2023 and had ECLs of approximately RMB7,449,000 brought forward from last year. These Credit Impaired Customers had material balances of trade receivables as at 31 December 2023. Management of the Group assessed the credit risk for these Credit Impaired Customers individually, on which past due information, and reasonable and supportable forward-looking information were considered, for these Credit Impaired Customers and determined that there were significant increase in credit risk. Management of the Group noted that these Credit Impaired Customers did have certain circumstances in common as follows:

(i) having prolonged past due amounts that met the Group's definition of default in contractual payments;

(ii) having been in breach of the relevant contract terms in respect of payment for the agreed invoiced amounts;

(iii) having unfavourable business apparently caused by contraction in the demand for advertising services following a slow-down in the economic growth in China;

(iv) having records for non-repayment of the agreed invoice amounts or changes in payment pattern from partial settlement to non-settlement;

(v) having difficulties in formulating concrete repayment schedule with the Group; and

(vi) business of which may be affected by future outlook of the macroeconomic forecast in China. Certain research analysts commented that China's economy might have economic growth at a slower pace in 2024. Had their forecast been materialised, these implications might cause unfavourable circumstances to the demand for advertising services and the competitive advantages of the Credit Impaired Customers.

During the assessment, management of the Group had specifically estimated the financial resources status for each of these Credit Impaired Customers and determined they were either having severe or highly severe inadequacy of financial resources status in meeting their obligations under the contracts with the Group. The Group had also specifically evaluated the willingness of each of these Credit Impaired Customers for settlement of their amounts due by way of formal or informal communications with the key managers or management personnel of these Credit Impaired Customers and determined that they were not co-operative for making settlement.

After assessment, management of the Group determined these Credit Impaired Customers were credit impaired. Accordingly, full lifetime expected credit loss should be recognised on the entire amount due from these Credit Impaired Customers as there would be no estimated cash flows for the amounts due from these Credit Impaired Customers.

As of 31 December 2023 and the date of issuance of the Group FS 2023, the Group had engaged all of the Credit Impaired Customers and attempted to formulate and agree on a repayment schedule with them. Furthermore, the Company has also discussed with its legal advisor in respect of the possible legal actions for recovery of amount due. The Group may consider taking legal actions in the future and does not rule out litigation as an option.

As at the date of this announcement, the Group only recovered approximately RMB 3,000,000 from one of the Credit Impaired Customers and approximately RMB 175,000 from others of the Credit Impaired Customers.

Collective assessment

Included in AR ECLs 2023 was an amount attributable to twelve customers ("**Other Customers**") that contributed ECLs of approximately RMB2,231,000. These Other Customers had gross trade receivable amounts for a total of approximately RMB13,421,000 as at 31 December 2023. Management of the Group assessed significant increase in credit risk for Other Customers collectively and were not aware of significant increase in credit risk, on which past due information, and reasonable and supportable forward-looking information were considered, for these Other Customers.

The Group applied the simplified approach permitted by Hong Kong Financial Reporting Standard 9 (Financial Instruments), which requires expected lifetime losses to be recognised from initial recognition of the receivables. The provision matrix under collective assessment is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. As disclosed in note 23(a) to the Group FS 2023, the expected loss rates for FY2023 under collective assessment were calculated ranging from 5% to 22% (Year ended 31 December 2022: ranging from 1% to 21%) applicable to different buckets in the past due aging for trade receivables under collective assessment.

As at the date of this announcement, the Group recovered approximately RMB 11,725,000 from the Other Customers.

DUE DILIGENCE AND RISK ASSESSMENT WORK BEFORE ENTERING INTO AGREEMENTS WITH THE CUSTOMERS

Before entering into agreements with customers, the sales and marketing, and media operations departments of the Group will conduct a preliminary evaluation to assess customers' creditworthiness with reference to a number of factors, including their corporate background, reputation, industry performance and background of ultimate advertisers. This process involves researching the customers' backgrounds using reputable sources such as the National Enterprise Credit Information Publicity System (國家企業信用資訊公示系統), Tianyancha (天眼查) and Qichacha (企查查). Additionally, the Company may perform site visits to directly assess the financial condition and operation of customers.

The Group also continuously reviews its business dealing with existing customers, which is crucial in determining whether to sustain or expand the Group’s ongoing business relationships with them.

The Company is of the view that it has performed reasonable due diligence steps prior to entering into contracts with the customers concerned. Yet, due to the economic uncertainty and change in customers’ behaviour, mainly attributable to the unprecedented pandemic, which are factors beyond the Company’s control, there was a significant increase in impairment on trade receivables for the year ended 31 December 2023.

ACTIONS TAKEN OR TO BE TAKEN BY THE COMPANY TO RECOVER THE OVERDUE TRADE RECEIVABLES

In view of the overdue trade receivables, the Company had engaged all of the customers concerned to formulate and agree on a repayment schedules. Furthermore, the Company has also discussed with its legal advisor in respect of possible legal actions for recovery of the amount due.

As of the date of this announcement, RMB3,000,000 of overdue trade receivables as at 31 December 2023 have been recovered, representing 3.2% of the total overdue amount. It is expected that the Company could recover further overdue amount of RMB12,000,000 during the financial year ending 31 December 2024.

The above supplemental information does not affect other information contained in the 2023 Annual Report and save as disclosed above, all other information in the 2023 Annual Report remains unchanged.

By Order of the Board
Icon Culture Global Company Limited
Chow Eric Tse To
Chairman and executive Director

Hong Kong, 9 August 2024

As at the date of this announcement, the executive Directors are Mr. Chow Eric Tse To (Chairman), Mr. Yao Tong (Deputy Chairman)， Ms. Liang Wei (Chief Executive Officer and Compliance Officer), Mr. Liu Biao and Ms. Li Chi Ying; and the independent non-executive Directors are Ms. Tam Hon Shan Celia, Mr. Tian Tao and Mr. Liu Lihan.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the ''Latest Listed Company Information'' page at www.hkexnews.hk for at least 7 days from the date of its publication. This announcement will also be published and will remain on the website of the Company at www.iconspace.com.