

GS HOLDINGS LIMITED
(Company Registration No. 201427862D)
Incorporated in the Republic of Singapore

ENTRY INTO JOINT VENTURE AGREEMENT

1. INTRODUCTION

The Board of Directors (the “**Board**”) of GS Holdings Limited (the “**Company**” and collectively with its subsidiaries, the “**Group**”) wishes to announce that the Company’s indirectly wholly owned subsidiary, Raffles Coffee Pte. Ltd. (“**Raffles Coffee**”), has on 29 October 2019 entered into a joint venture agreement (the “**Joint Venture Agreement**”) with Ms Zhang LiYing (the “**JV Partner**”, collectively with Raffles Coffee, the “**Parties**”) in respect of their shareholdings in a joint venture company to be incorporated in Singapore (the “**Joint Venture**”).

2. INFORMATION ON THE JV COMPANY

2.1 Pursuant to the Joint Venture Agreement, the joint venture company (the “**JV Company**”) will be incorporated in Singapore with an issued and paid-up share capital of S\$100 comprising 100 ordinary shares to be held by the Parties in the proportion set out below.

	No. of Shares	Percentage of entire issued share capital
Raffles Coffee	51	51.0%
JV Partner	49	49.0%
Total	100	100.0%

2.2 The JV Company will principally be engaged in the business of developing, franchising and management of various food & beverage brands, including the central procurement of contractors, equipment, payment systems, supplies, services, utensils and other related products and services or such other business as the parties may agree upon from time to time (the “**Business**”), with the Business primarily to be carried out in the People’s Republic of China (“**PRC**”).

3. INFORMATION ON THE JV PARTNER

3.1 The JV Partner is a joint venture partner of the Company in respect of its subsidiary, Wish Hospitality Holdings Private Limited. The JV Partner holds 20% interest in Wish Hospitality Holdings Private Limited, with the remaining 80% held by the Company. Please refer to the Company’s announcement dated 17 January 2019 for more information on the joint venture in respect of Wish Hospitality Holdings Private Limited (the “**Wish Joint Venture**”).

3.2 The JV Partner is also a director and the sole shareholder of Marvel Earn Limited. As at the date of this announcement, Marvel Earn Limited holds 18,655,555 shares in the Company (each a “**Share**”), representing approximately 10.08% of the issued and paid-up share capital of the Company. The JV Partner is also currently a director of Raffles Financial Private Limited, a company incorporated in Singapore, which provides corporate finance advisory services as an exempt corporate finance adviser pursuant to the Securities and Futures Act (Chapter 289) of Singapore.

3.3 The JV Partner has more than 10 years of experience helping companies (including a company listed on Australian Securities Exchange) with their investment and expansion activities in the PRC. She has investment and advisory interests in the hospitality, restaurant, recreational parks and food trading businesses.

3.4 As at the date of this announcement, the JV Partner does not directly hold any Shares.

4. SALIENT TERMS OF THE JOINT VENTURE AGREEMENT

4.1 Subscription of Shares by Raffles Coffee

Pursuant to the Joint Venture Agreement, each of the Parties shall subscribe for such new shares in the JV Company (the “**Subscription**”) such that upon completion of the Subscription, the shareholding proportion of the JV Company shall be as follows:-

	No. of Shares	Percentage of entire issued share capital
Raffles Coffee	51	51.0%
JV Partner	49	49.0%
Total	100	100.0%

4.2 Consideration for and Value of the Subscription Shares; Sources of Funds

The consideration payable by Raffles Coffee for the subscription of the shares in the JV Company (the “**Subscription Shares**”) is S\$51, to be satisfied fully in cash, and will be funded by internal sources of funds. The consideration was arrived at after taking into account the nominal value per share in the capital of the JV Company.

As the JV Company will only be recently incorporated and would not have commenced operations nor own any assets, the book value and net tangible asset value of the Subscription Shares is zero. No valuation of the Subscription Shares has been commissioned by the Company.

4.3 Undertakings

4.3.1 The Parties shall procure and ensure that, unless otherwise agreed by Raffles Coffee in writing, Raffles Coffee shall at all times hold such number of shares, representing 51% of the entire issued and paid-up share capital of the JV Company.

4.3.2 Pursuant to the Joint Venture Agreement, the JV Partner will use her best endeavours to (i) promote and develop the Business to generate the maximum achievable profits or benefit for the JV Company, and (ii) for the first two years from the date of Raffles Coffee’s subscription of the Subscription Shares, for the JV Company to achieve an annual profit no less than an annual audited net profit after tax of S\$5,000,000. For the avoidance of doubt, such undertaking is provided to Raffles Coffee on a best efforts basis, and is not considered a profit guarantee provided by the JV Partner.

4.4 Board of Directors of the JV Company

Pursuant to the Joint Venture Agreement, the board of directors of the JV Company shall comprise up to three directors, whereby two of them shall be nominated by Raffles Coffee and one of them shall be nominated by the JV Partner.

4.5 Obligations of the Parties

Pursuant to the Joint Venture Agreement, the Parties have agreed, among others, that their responsibilities in the Business shall be as follows:

- (a) both Parties shall be jointly responsible for the hiring of a management team who will be running the Business and day-to-day operations of the JV Company, and the delivery of any profit and business objectives;
- (b) the JV Partner shall be responsible for procuring the establishment of a wholly foreign-owned enterprise in the PRC;
- (c) the JV Partner shall be responsible for procuring outsource contractors with all relevant governmental permits, approvals and licences required in connection with the establishment of the Business in Singapore, the PRC and such other territories as may be agreed by the Parties (the “Territory”); and
- (d) the JV Partner shall be responsible for providing the necessary expertise, know-how and capabilities required in connection with performing the Business in the Territory.

4.6 Reserved Matters

The terms of the Joint Venture Agreement sets out certain customary matters which require the unanimous approval of all the shareholders of the JV Company, prior to them being undertaken by the JV Company.

4.7 The Option

4.7.1 Pursuant to the Joint Venture Agreement, the JV Partner has granted to Raffles Coffee the right (the “Option”) to acquire from the JV Partner all 49 shares held by her, representing 49% of the issued and paid up share capital of the JV Company (such shares hereinafter referred to as the “Minority Equity”) for the Consideration (as defined below).

4.7.2 The consideration for the Minority Equity (the “Consideration”) shall be computed based on the following formula:-

$$\text{Consideration} = 49\% \times (6 \times \text{NPAT})$$

Where “NPAT” means the latest audited net profit after tax of the JV Company as at the date of exercise by Raffles Coffee of the Option.

The Consideration shall be satisfied in cash.

4.7.3 Raffles Coffee may exercise the Option at any time within a period of one year from the Option Date. For the purposes of this announcement, the “Option Date” refers to such date falling one year from the date of subscription by Raffles Coffee of the Subscription Shares.

5. RATIONALE FOR AND BENEFITS OF THE JOINT VENTURE

Raffles Coffee’s entry into the Joint Venture is in line with the Group’s plans to expand its businesses in the food and beverage (“F&B”) industry, which was approved by the Company’s shareholders (the “Shareholders”) at the extraordinary general meeting of the Company held on 26 February 2019. As set out in the Company’s circular to Shareholders dated 11 February 2019, the Group may, as part of its F&B business, invest in or purchase or otherwise acquire or dispose of any assets, investments and shares or interests in any entity that is in the F&B business. Any such business activities shall constitute part of the ordinary course of business of the Group. As the Joint Venture entails the investment of a company to carry out a F&B related business, the transaction will not change the risk profile of the Group.

The Board believes that Raffles Coffee’s entry into the Joint Venture is also beneficial to Group as it will facilitate the Group’s expansion of its F&B business and current F&B brands, as well as grow its operations locally and into other geographical location at a relatively small investment amount. In addition, by leveraging on the strong network, experience and expertise of the JV Partner, Raffles Coffee’s entry into the Joint Venture Agreement provides a strategic platform for the Group to execute its expansion plans.

The Joint Venture and the incorporation of the JV Company are intended to facilitate the expansion of the Group's existing brands of "Raffles Coffee" and "Sing Swee Kee Chicken Rice" and other brands developed by the Group in future in the PRC, via business opportunities referred to by the JV Partner. In this regard, the Company wishes to highlight that the Business to be undertaken by the JV Company is of a different focus area from the following recently-incorporated subsidiaries as further described below:-

- (i) Wish Health Management (Shanghai) Co., Ltd. ("**Wish Shanghai**") was incorporated on 16 October 2019 to mainly facilitate the expansion of the Group's general F&B business and branding (but not including the "Raffles Coffee" and "Sing Swee Kee Chicken Rice" brands), operation and procurement services business in the PRC, which has been referred to by the JV Partner, in satisfaction of her obligations under the Wish Joint Venture. In particular, Wish Shanghai's business is to assist in providing the branding, operation and procurement services to F&B related businesses.

Please refer to the announcement dated 18 October 2019 for more information on Wish Shanghai.

- (ii) Hao Kou Wei (Shanghai) Food and Beverage Management Co., Ltd. ("**HKW Shanghai**") was incorporated on 18 October 2019, to also facilitate the expansion of the Group's F&B business and branding, operation and procurement services business in the PRC, which are sourced by the Company and do not relate to the Wish Joint Venture.

Please refer to the announcement dated 22 October 2019 for more information on HKW Shanghai.

The Subscription is not expected to have any material impact on the net tangible assets or earnings per Share of the Group for the current financial year ending 31 December 2019.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for their respective interests in the Company and save as disclosed in this announcement, none of the directors of the Company (the "**Directors**") or substantial Shareholders or their associates, as far as the Company is aware, has any interest, direct or indirect, in the Joint Venture.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Joint Venture Agreement will be available for inspection during normal business hours at the Company's registered office at 8 Loyang Way 4 Singapore 507604 for a period of 3 months from the date of this announcement.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Joint Venture, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

9. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Joint Venture Agreement and incorporation of the Joint Venture Company, as appropriate or when there are developments on the same.

By Order of the Board

Pang Pok
Executive Chairman and Chief Executive Officer

29 October 2019

*This announcement has been prepared by GS Holdings Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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