

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**”) refers to the announcements released by the Company on 17 December 2018 (the “**Announcements**”) in relation to, among others:

- (a) the proposed acquisition of Hao Kou Wei Pte. Ltd. (the “**Proposed Acquisition**”);
- (b) the placement of 26,675,555 shares in the Company (the “**Shares**”) to Chong Paw Long and Marvel Earn Limited (the “**Placement**”); and
- (c) the convertible loan for an aggregate sum of RMB 68,000,000 (the “**Convertible Loan**”) to be furnished by Guangzhou Yue Da Environmental Technology Development Co. Ltd. and Guangzhou Green Valley Ecological Environment Co. Ltd. (collectively, the “**Lenders**”) to the Company.

As set out in the Announcements, the rationale for the Proposed Acquisition, Placement and Convertible Loan was to, among others, facilitate the expansion of the Group’s business into the food and beverage (“**F&B**”) industry. In line with the Group’s growth strategy to expand into the F&B business, the Board wishes to announce that the Company has on 17 January 2019 entered into a joint venture agreement (the “**Joint Venture Agreement**”) with Ms Zhang LiYing (the “**JV Partner**”, collectively with the Company, the “**Parties**”) in respect of their shareholdings in Wish Hospitality Holdings Private Limited (the “**Joint Venture**”).

2. INFORMATION ON THE JV COMPANY

- 2.1** Wish Hospitality Holdings Private Limited (the “**JV Company**”) is a company incorporated in Singapore on 14 December 2018 with an existing issued and paid-up share capital of S\$100 comprising 100 ordinary shares. As at the date of this announcement, the JV Partner is the sole shareholder of the JV Company.
- 2.2** The JV Company will principally be engaged in the procurement and management of F&B business, distribution, wholesale, trading, retail, import and export of food products and equipment, and the provision of other related products and services or such other business as the Parties may agree upon from time to time (the “**Business**”). The Business will be carried out via the PRC Company (as defined below) and, subject to any investments opportunities available to the JV Company, such other entities as may be acquired and / or incorporated (whether in Singapore or elsewhere) by the JV Company in the future.
- 2.3** As announced by the Company on 17 December 2018, the Company intends to use the proceeds from the Convertible Loan to finance the business operations and activities of a subsidiary of the Company (the “**PRC Company**”) to be incorporated in the People’s Republic of China (“**PRC**”). Pursuant to the Joint Venture Agreement, the JV Company will own 100% of the equity interest in the PRC Company. The PRC Company will therefore be an indirect wholly-owned subsidiary of the Company upon completion of the Subscription (as defined in paragraph 4.1 below).

3. INFORMATION ON THE JV PARTNER

- 3.1 The JV Partner is a director and the sole shareholder of Marvel Earn Limited (being one of the placees under the Placement). As at the date of this announcement, Marvel Earn Limited holds 6,900,000 Shares, representing approximately 4.93% of the issued and paid-up share capital of the Company. The JV Partner is also currently a director and the chairperson of Raffles Capital Limited, a company listed on the Australian Securities Exchange.
- 3.2 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.
- 3.3 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 the Company

Pursuant to the Joint Venture Agreement, the Parties have agreed that the Company shall subscribe for such new shares (the “**Subscription 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:-

Party	Number of shares held in the JV Company as at the date of this announcement	Shareholding Proportion in the JV Company as at the date of this announcement	Number of shares held in the JV Company after completion of the Subscription	Shareholding Proportion in the JV Company after completion of the Subscription
The JV Partner	100	100%	100	20%
The Company	-	-	400	80%

The Subscription is conditional upon, among others, the following being satisfied:

- (a) completion of legal and financial due diligence by the Company on the JV Company and the results thereof being satisfactory to the Company;
- (b) the Company having obtained the approval of its shareholders (the “**Shareholders**”) at the extraordinary general meeting (the “**EGM**”) to be convened in respect of:
- (i) the issuance of 18,655,555 placement shares to Marvel Earn Limited pursuant to the placement agreement dated 17 December 2018 between the Company and Marvel Earn Limited (the “**Marvel Placement**”) and the Company having received the placement proceeds under the Marvel Placement; and
 - (ii) the issuance of the conversion shares to the Lenders under the Convertible Loan; and
 - (iii) the expansion of the business of the Group to include the Business.

Shareholders may wish to refer to the Announcements for further details on the Marvel Placement and the Convertible Loan.

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

The consideration for the Subscription Shares is S\$400, will be satisfied fully in cash, and will be funded by internal sources of funds.

The consideration was arrived at, after arm's length negotiations between the Parties, on a willing buyer, willing seller basis, after taking into account the nominal value per share in the capital of the JV Company.

As the JV Company was only recently incorporated and has not 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 the Company in writing, the Company shall at all times hold such number of shares, representing 80% 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 the Company'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.

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 the Company 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 the PRC Company as 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 the Company the right (the "**Option**") to acquire from the JV Partner all 100 shares held by her, representing 20% 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:-

$$\text{Consideration} = 20\% \times (6 \times \text{NPAT})$$

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

The Consideration shall be satisfied in cash.

4.7.3 The Company may exercise the Option at any time within a period of 1 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 completion of issuance and allotment by the JV Company to the Company, and the subscription by the Company of the Subscription Shares.

5. RATIONALE FOR AND BENEFITS OF THE JOINT VENTURE

The Company’s entry into the Joint Venture is in line with Group’s strategic plans to expand its business into the F&B industry, bringing additional value to the Company and Shareholders.

The Board believes that the Company’s entry into the Joint Venture is also beneficial to Group as it provides the Group with a further opportunity to expand its F&B business beyond the Proposed Acquisition as well as grow its operations locally and into new geographical location(s) at a relatively small investment amount. In addition, by leveraging on the strong network, experience and expertise of the JV Partner, the Company’s entry into the Joint Venture Agreement provides a strategic platform for the Company to execute its expansion plans.

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

The relative figures computed on the relevant bases set out in Rule 1006 of the Catalist Rules in respect of the Subscription are as follows: -

Catalist Rule	Relative Figures (%)
Rule 1006(a) The net asset value of the assets to be disposed of, compared with the Group’s net asset value. This basis is not applicable to an acquisition of assets.	Not applicable as the Subscription relates to an acquisition of an asset
Rule 1006(b) The net profits attributable to the assets acquired, compared with Group’s net profits ⁽¹⁾	Not applicable as the JV Company has yet to commence operations since its incorporation on 14 December 2018
Rule 1006(c) The aggregate value of the consideration given, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	N.M. ⁽¹⁾
Rule 1006(d) The number of equity securities issued by the Company as consideration for the Subscription	

Catalist Rule	Relative Figures (%)
Shares, compared with the number of equity securities previously in issue	Not applicable as there is no equity securities issued as consideration for the Subscription Shares
Rule 1006(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable as the Subscription does not relate to a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

Note:

- (1) Not meaningful as the consideration is only S\$400.

7. NON-DISCLOSEABLE TRANSACTION

As none of the relative figures computed on the bases pursuant to Rule 1006 exceeds 5%, the Subscription constitutes a non-discloseable transaction under Chapter 10 of the Catalist Rules. This announcement is being made pursuant to Rule 1008(2) of the Catalist Rules. The Company will in any event seek Shareholders' approval for the Proposed Expansion (as defined below). Please refer to paragraph 9 of this announcement for further details.

8. FINANCIAL EFFECTS OF THE SUBSCRIPTION

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.

Pursuant to the Announcements, the Company has announced that it intends to use part of the proceeds from the Placement and Convertible Loan for the acquisition of companies in the F&B business and growth and acquisition opportunities in Hong Kong and the PRC as and when they arise. In line with such use of proceeds, subject to completion of the Subscription and the relevant Shareholders' approvals set out in paragraph 4.1 being obtained, the Company may disburse the proceeds received from the Placement and the Convertible Loan to the JV Company and / or the PRC Company.

The Company will make periodic announcements as and when the net proceeds of the Placement and Convertible Loan are materially disbursed and whether such use is in accordance with the stated use. Shareholders may wish to refer to the Announcements for further details on the Placement and the Convertible Loan.

9. CHANGE IN RISK PROFILE

As the entry by the Company into the Joint Venture Agreement contemplates the Group's growth and expansion into the F&B industry, the Subscription is a potential expansion of the Group's existing business which may or may not be a material change to the risk profile of the Group. Accordingly, the Company will be obtaining Shareholders' approval for the expansion of the Group's business into the F&B industry (the "**Proposed Expansion**") at the EGM to be convened. Further information on the Proposed Expansion will be provided in the circular to be issued by the Company in due course for the purpose of convening the EGM.

10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for their respective interests in the Company, 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.

11. CIRCULAR TO SHAREHOLDERS

As the Proposed Expansion is subject to Shareholders’ approval being obtained, the circular to the Shareholders containing, among others, information on the Proposed Expansion will be despatched to Shareholders in due course.

12. 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.

13. 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.

14. CAUTIONARY STATEMENT

The Company wishes to highlight that completion of the Subscription is subject to the certain conditions being fulfilled and there is no certainty or assurance that the Subscription will be completed or that no changes will be made to the terms of the Joint Venture Agreement. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants, and/or other professional advisers if they are in doubt about the actions that they should take.

15. FURTHER ANNOUNCEMENTS

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

By Order of the Board

Pang Pok
Executive Chairman and Chief Executive Officer

17 January 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 SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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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