



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

**RESPONSE TO THE SGX-ST'S QUERIES IN RESPECT OF THE ANNOUNCEMENT DATED
14 APRIL 2020 AND THE AUDITOR'S OPINION ON THE FY2019 RESULTS**

The Board of Directors (the "**Board**") of GS Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the announcement released by the Company on 14 April 2020 (the "**Announcement**") and the annual report of the Company released on 15 April 2020.

Unless otherwise defined herein, all capitalised terms used and not defined herein shall bear the same meanings ascribed to them in the Announcement.

The Company sets out below the queries raised by the SGX-ST in respect of the Announcement and the auditor's opinion on the Group's financial statements for the financial year ended 31 December 2019, and its responses to the queries.

SGX Queries

*As at now, there is still an aggregate of RMB 120,000,000 in Outstanding Service Fee due and payable to Wish Hospitality Holdings Private Limited ("**Wish**") by the 14 Secured Outlets. The delay in payment is primarily due to the temporary closure and suspension of business in the PRC in compliance with directives issued by the relevant PRC authorities in light of the COVID-19 outbreak and the ongoing Tax Consultation. To facilitate the collection of the Outstanding Service Fee, the Company and Wish appointed Ms Zhang Liying ("**Ms Zhang**") as Wish's authorized representative to collect the fees. Ms Zhang is a PRC National and is the Company's JV partner in Wish. The Company and Wish have agreed for any collected Outstanding Service Fee to be deposited into such PRC bank account solely held and sole signatory by Ms Zhang (the "**Designated Bank Account**") so as to expedite and facilitate collection of the Outstanding Service Fee.*

To-date, Ms Zhang has yet to collect any of the Outstanding Service Fee from the Secured Outlets as some of the Secured Outlets have just resumed operations.

*To protect Wish's, the Company's and the Company's shareholders' interests, the Company has obtained additional securities in the form of a personal guarantee provided by Mr Zhang Rongxuan ("**Mr Zhang**", a director of the Company, and expanded the scope of the guaranteed obligations under the personal guarantee provided by Mr Pang. The new and revised personal guarantees provided in favour of the Company are as follows:-*

- (i) Mr Pang Pok (CEO) - guarantees (i) the transfer to the Company/Wish of the Outstanding Service Fee collected by Ms Zhang, and (ii) the collection by Ms Zhang of the entire RMB120 million of Outstanding Service Fee by 15 October 2020.*
- (ii) Mr Zhang (Non-executive Chairman) - guarantees (i) the transfer to the Company/Wish of the Outstanding Service Fee collected by Ms Zhang, and (ii) the collection by Ms Zhang of the entire Outstanding Service Fee by 15 October 2020.*
- (iii) Mr Liu Changsheng (Non-executive Director) – guarantees the transfer to the Company/Wish of the Outstanding Service Fee collected by Ms Zhang.*

Query 1:

Has the Designated Bank Account been set up? How do Mr Pang, Mr Zhang and Mr Liu guarantee that Ms Zhang will pay the Company the amount she collected from the 14 secured outlets?

Company's Response:

The Company understands that the Designated Bank Account has yet to be set up. Pursuant to the personal guarantees provided by Mr Pang, Mr Zhang and Mr Liu, if Ms Zhang fails to pay the Company and/or Wish any of the Outstanding Service Fee she has collected from the Secured Outlets, each of such directors is obliged to pay that amount to the Company/Wish as if such director was the principal obligor.

The Company understands that to facilitate and expedite the collection of the Outstanding Service Fee, both Mr Liu and Mr Zhang intend to offer and/or extend their assistance and work together with Ms Zhang by also approaching the Secured Outlets to explain to them the rationale for appointing Ms Zhang to collect the Outstanding Service Fee, and rendering all necessary assistance.

As announced in the Company's announcement dated 26 March 2020, Shareholders should also note that Ms Zhang and Marvel Earn Limited ("**Marvel**") have executed share charges in favour of the Company (the "**Share Charges**") in respect of Ms Zhang's 20% shares in Wish and shares in the Company held by Marvel, respectively (the "**Charged Shares**"). The Share Charges are granted to the Company in addition to the personal guarantees provided by the foregoing directors. As such, in the event that Ms Zhang fails to pay the Company and/or Wish any of the Outstanding Service Fee she has collected from the Secured Outlets, the Company envisages that it will first enforce the Share Charges provided by Ms Zhang and Marvel by exercising its power of sale over the Charged Shares. In the event that the amount of the sale proceeds of the Charged Shares is less than the amount of the Outstanding Service Fee which Ms Zhang collected and failed to pay to the Company/Wish, the Company will claim for the shortfall from the foregoing directors under their respective guarantees.

Query 2:

In the event that Ms Zhang is unable to collect the RMB120 million Outstanding Service Fee from the 14 secured outlets by 15 October 2020, does it mean that Mr Pang and Mr Zhang will personally share and pay the RMB120 million to the Company?

Company's Response:

Yes, the personal guarantees from each of Mr Pang and Mr Zhang have been furnished in favour of the Company, with the intention for such guarantees to be on a joint and several basis. As such, in the event that Ms Zhang is unable to collect, and the Company/Wish does not receive, the RMB 120 million in Outstanding Service Fee from the 14 Secured Outlets by 15 October 2020, the Company has a right to demand that Mr Pang and/or Mr Zhang pay such amount of the Outstanding Service Fee to the Company/Wish. Accordingly, to ensure that each of Mr Pang and Mr Zhang has the ability to pay such amount, their respective personal guarantees provide for the Company's right to request for further securities over certain assets held/controlled by such directors.

The Company understands that both Mr Pang and Mr Zhang are aware of their obligations under the respective guarantees and are prepared to share the costs and pay to the Company/Wish the RMB 120 million in Outstanding Service Fee should Ms Zhang be unable to collect, and the Company/Wish does not receive, such Outstanding Service Fee from the 14 Secured Outlets by 15 October 2020.

Query 3:

Is there a deadline fixed for the Company to receive the RMB120 million stated in the Deed between Mr Zhang, Mr Pang and the Company?

Company's Response:

Yes, as set out in the Announcement, the deadline for Ms Zhang to collect, and for the Company/Wish to receive, the entire amount of the Outstanding Service Fee of RMB 120 million is 15 October 2020. This is expressly provided for in the personal guarantee provided by Mr Pang (as amended and supplemented by a supplemental deed dated 14 April 2020), and the personal guarantee provided by Mr Zhang on 14 April 2020, in favour of the Company.

Query 4:

Does it mean that if the withholding tax is not resolved, the Company would not be able to collect the service fees from the secured outlets?

Company's Response:

In the event that the withholding tax issue is not resolved with the PRC authorities, the Company may not be able to ascertain the exact rate of withholding tax payable to the PRC authorities before the Secured Outlets are permitted to remit the Outstanding Service Fee to Wish in Singapore. This may delay the declaration of the dividends, if any, by Wish to the Company. However, the Company believes that the Outstanding Service Fee can still be collected from the Secured Outlets subject to the Secured Outlets resuming normal operations and making the necessary arrangements to remit such monies. As set out in the Announcement, as at the date of the Announcement, Ms Zhang has yet to collect any of the Outstanding Service Fee as some of the Secured Outlets have only just resumed operations.

Shareholders should note from the Company's announcements dated 5 February 2020 and 26 March 2020 that the Company/Wish had undertaken the ongoing tax consultation with the PRC tax authorities to ensure that Wish does not pay higher taxes than is required by the applicable tax laws. In this regard, the Company understands that Wish has, as at the date of this announcement, received preliminary advice from its appointed tax advisors, a Big 4 accounting firm in Beijing, PRC, on the potential rate of withholding tax payable to the PRC tax authorities. With the gradual easing of the restrictions/measures relating to the COVID-19 outbreak in the PRC, the Company expects progress to be made in the ongoing tax consultations between Wish's tax advisors and the PRC tax authorities.

In the unlikely event that the Secured Outlets are ready to pay the Outstanding Service Fee but the withholding tax issue is still not resolved with the PRC authorities, subject to the advice from Wish's tax advisors and the progress/ status of the ongoing tax consultations with the PRC tax authorities, the Company may consider steps and/or measures including providing for higher rate of withholding taxes to be paid to the PRC tax authorities so that the Outstanding Service Fee may be remitted to Wish.

By Order of the Board

Pang Pok
Chief Executive Officer and Executive Director

17 April 2020

*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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