



GS HOLDINGS LIMITED
(Incorporated in Singapore)
(Company Registration Number: 201427862D)

**RESPONSES TO QUERIES FROM THE SGX-ST
IN RESPECT OF THE ANNOUNCEMENT DATED 6 JULY 2020**

The Board of Directors of GS Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 6 July 2020 (the “**Announcement**”).

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings ascribed to them in the Announcement.

The Company sets out below the queries raised by the SGX-ST on the Proposed Disposal and the Company’s responses to the queries

Query 1:

The net liability value of the Sale Shares is approximately S\$937,000 for the 5 months ended 31 May 2020, and Adjusted NAV is S\$100 as a result of waiver of all amounts owed by the Targets to the Group as at 31 May 2020, such amount waived being S\$900,500. Consideration for the Sale Shares is S\$2.00.

Net profit attributable to the Sale Shares for audited FY2019 results is S\$148,000.

GCS’ principal business activities are in general cleaning services and the manufacturing of kitchen and household utensils. GES’ principal business activities are in the sales, and renting out, of dishwashing and other equipment and machinery.

- (a) *Please elaborate and disclose the value of the assets, in particular PPE, held in the books of GCS and GES.*
- (b) *Did the Board consider the sale of the assets separately? Would it yield a better outcome for the Company as compared to the Proposed Disposal?*

Company’s Response to 1(a):

As at 31 May 2020, the value of the assets held in the books of GCS and GES are set out below.

	GCS	GES
Type of asset	Value (unaudited) S\$	Value (unaudited) S\$
Property, plant and equipment	1,065	-
Intangible assets	-	8,645 ⁽¹⁾
Amounts due from GreatSolutions and GES	143,619	-
Amounts due from GreatSolutions	-	72,604

	GCS	GES
Type of asset	Value (unaudited) S\$	Value (unaudited) S\$
Inventories	-	11,767
Trade receivables	-	2,003
Other receivables	3,733	852
Amount due from related corporations	62,338	-
Cash and cash equivalents	160,276	9,986
Total	371,031	105,857

Note:

- (1) Intangible assets for GES comprise Customized Software Web Based Order Management System.

Company's Response to 1(b):

The Board had not considered the sale of the assets separately as the tangible assets (i.e. property, plant and equipment) of the Targets comprise human resource and accounting software which would be difficult to sell to different parties separately.

Query 2:

The Purchaser (i.e. GreatSolutions Pte. Ltd. ("GreatSolutions")) was a former subsidiary of the Company. The disposal of the Purchaser was completed on 14 January 2020. The disposal was approved by shareholders at EGM held on 30 December 2019.

In the circular dated 13 December 2019, it was stated that the business of the GreatSolutions represented a significant business segment (being the dishware washing and cleaning services business) for the Group in terms of revenue and asset contribution even though it was loss-making. As such, the Company sought shareholders' approval for the sale of GreatSolutions.

- (a) *Please elaborate on how the net asset/liability value and the net profit/loss compares between GreatSolutions, GCS and GES.*
- (b) *Pursuant to CR1005, why did the Company not aggregate the disposal of GreatSolutions and proposed disposal of GCS and GES. Please provide the revised CR1006 figures. Please take note to include the waiver of amounts owed by the Target Group to the GS Group.*
- (c) *Given that the Company had stated in its circular just 7 months prior, that the dishware washing and cleaning services business is a significant business segment of the Company, please explain why the Proposed Disposal of GCS and GES (which are part of the same business segment) are not subject to shareholders' approval. It is noted that the circular did not provide for the envisaged disposal of GCS and GES and had merely sought shareholders' approval for the disposal of GreatSolutions to GSG Capital Pte Ltd.*
- (d) *For the disposal of GreatSolutions, the Company has commissioned the Valuer, namely Cushman & Wakefield VHS Pte Ltd, to perform an independent valuation based on the income approach, with reference made to the market approach and cost approach. In contrast, please explain and provide the basis for the Board's decision to sell GCS and GES at consideration of S\$2.00 and without performing any valuation.*

Company's Response to 2(a):

The net asset/(liability) value and net profit/(loss) of GreatSolutions, GCS and GES as at 31 December 2019 is set out below.

	Net asset / (liability) value S\$	Net profit / (loss) S\$
GreatSolutions	1,603,000	(2,776,000)
GCS	(861,000)	26,000
GES	(52,000)	122,000

The net profits of the Targets for the financial year ended 31 December 2019 was due to a one-off profit of S\$186,000 generated from the sale of equipment to GreatSolutions in FY2019. The Targets, however, incurred losses in the first 5 months of the current financial year ending 31 December 2020. Please also refer to the Company's response to query no. 3 below as to the rationale for the Company's disposal of the Targets.

Company's Response to 2(b):

The Company did not aggregate the disposal of GreatSolutions and proposed disposal of GCS and GES as both GCS and GES has minimal business operations with only one customer, which is GreatSolutions since the GreatSolutions Disposal.

At the time when the Company was undertaking the GreatSolutions Disposal, while the Company could have disposed the Targets together with GreatSolutions, the Company wished to retain the Targets and assessed if the Group's F&B Business will require the services of both Targets – please refer to the Company's response to query no. 3 below for further details.

As set out in the Company's circular dated 13 December 2019 (the "**Circular**"), with the completion of the GreatSolutions Disposal and the proposed expansion and diversification by the Group into the BOP Business (the "**Proposed BOP Expansion and Diversification**"), the business segments of the Group will be the F&B Business and the BOP Business (without the Cleaning and Dishwashing Business). The Company had recognised that the Group's risk profile may change due to the foregoing transactions and had therefore obtained shareholders' approval for the Proposed BOP Expansion and Diversification. Shareholders' approval was also obtained for the GreatSolutions Disposal as it pertains to the disposal of a then key business segment which the Group would no longer be involved in after completion of the GreatSolutions Disposal.

For illustration purposes, in the event that the disposal of the Targets is aggregated with the GreatSolutions Disposal, the relative figures computed on the relevant bases set out in Rule 1006 of the Catalist Rules and based on the audited consolidated financial statements of the Group for FY2019 (being the latest announced consolidated accounts of the Group) are set out below.

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.	6.72 ⁽¹⁾
Rule 1006(b) The net loss attributable to the assets disposed, compared with Group's net profits ⁽²⁾	(11.61) ⁽³⁾

Catalist Rule	Relative Figures (%)
Rule 1006(c) The aggregate value of the consideration received, compared with the Company's market capitalisation ⁽⁴⁾ based on the total number of issued shares excluding treasury shares	(12.02) ⁽⁵⁾
Rule 1006(d) The number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	Not applicable as the Company is disposing of its interest in its subsidiaries
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 Company is not a mineral, oil and gas company

Notes:

- (1) The relative figure under Rule 1006(a) would be 6.72% based on the Adjusted NAV of the Targets of approximately S\$100 as at 31 May 2020 and Adjusted NAV of GreatSolutions of approximately S\$2,100,000 as at 30 September 2019, as compared to the Group's NAV of approximately S\$31,258,000 for FY2019.

For illustrative purposes, based on the audited accounts of the Group for FY2019, the NAV of the Targets and GreatSolutions is approximately S\$690,000, as compared to the Group's NAV of approximately S\$31,258,000. Accordingly, on this basis, the relative figure under Rule 1006(a) would be approximately 2.21%.

- (2) For the purpose of computation of the net profit (or net loss) figures, in compliance with Rule 1002(3)(b) of the Catalist Rules, "**net profit**" or "**net loss**" means profit (or loss) including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (3) Based on the audited accounts of the Group for FY2019, the net loss attributable to the Proposed Disposal and GreatSolutions Disposal is determined based on the total net loss of the Targets and GreatSolutions of approximately S\$2,628,000 for FY2019 and the latest audited net profit of the Group of approximately S\$22,630,000 for FY2019.
- (4) The Company's market capitalisation is approximately S\$90,702,195 derived by multiplying the issued share capital of the Company of 184,993,260 Shares by the volume weighted average price of such Shares transacted on 2 July 2020 (being the last full market day immediately preceding the date of the SPA on which Shares were traded) of S\$0.4903 per Share. The Company does not have any treasury shares.
- (5) Pursuant to paragraph 3.2(b)(iii) of Practice Note 10A of the Catalist Rules, in computing the aggregate value of consideration received under Rule 1006(c), any additional liabilities (whether actual or contingent) waived by the Company (as seller) under the terms of the sale and purchase agreements shall be included in computing the aggregate value of consideration. Pursuant to the terms of the SPA, a total of S\$900,500 (being amounts owed by the Targets to the Group) is waived by the Company. Pursuant to the terms of the GreatSolutions Disposal, a total of S\$12,000,000 (being amounts owed by GreatSolutions and GS Hospitality Services Pte. Ltd. to the Group as at 30 September 2019) is waived by the Company.

Accordingly, in the event that the amount of S\$900,500 and S\$12,000,000 waived are included in computing the aggregate consideration received by the Company, the aggregate value of the consideration received

by the Company shall be S\$(10,900,498), and the relative figure computed under Rule 1006(c) will be approximately (12.02)%.

For illustrative purposes, assuming that the value of the total consideration for the GreatSolutions Disposal and the Proposed Disposal is S\$2,000,002 based on the terms of the respective sale and purchase agreements, the relative figure computed under Rule 1006(c) of the Catalist Rules will be 2.21%.

Company's Response to 2(c):

The Company's Circular also stated that with the completion of the GreatSolutions Disposal and the Proposed BOP Expansion and Diversification, the business segments of the Group will be the F&B Business and the BOP Business. As the business of the Group will no longer include the Cleaning and Dishwashing Business and due to the change in risk profile arising as a result of the foregoing transactions, the Company had obtained shareholders' approval for the GreatSolutions Disposal and the Proposed BOP Expansion and Diversification. As the Company had already obtained shareholders' approvals for the GreatSolutions Disposal which is the main operating subsidiary of the Cleaning and Dishwashing Business and the Proposed BOP Expansion and Diversification, and explained in the Circular that the Company will no longer be involved in the Cleaning and Dishwashing Business (a then key business segment) with the completion of the GreatSolutions Disposal and the Proposed BOP Expansion and Diversification, the Company was of the view that shareholders' approval is not required for the Proposed Disposal as (i) the Proposed Disposal involved the disposal of 2 loss-making subsidiaries in the Cleaning and Dishwashing Business, which the Group is no longer involved and/or active in, and (ii) both GCS and GES have minimal business operations with only one customer which is GreatSolutions after the GreatSolutions Disposal.

Company's Response to 2(d):

The Company had not commissioned a valuation in connection with the Proposed Disposal as (i) the sale consideration of S\$2.00 for the Proposed Disposal and the Adjusted NAV of the Targets are insignificant, and (ii) the Targets have only one customer, which is GreatSolutions.

Given the above, it would not have been commercially sensible for the Company to incur additional costs to engage a valuer to conduct an independent valuation on the Targets. Please also refer to the Company's response to query no. 3 below.

Query 3:

Please elaborate on the Company's efforts in disposing GCS and GES, in particular please detail if the Company were in discussions with other potential purchasers before deciding to enter into the Proposed Disposal with Mr Tay.

Company's Response:

The Company was not in discussions with other potential purchasers before deciding to enter into the Proposed Disposal with Mr Tay. Since the commencement of business, GCS's and GES's main customer is GreatSolutions, with sales to, or transactions with, external parties being very minimal. While the Company could have disposed GCS and GES together with GreatSolutions, the Company wished to have some time to evaluate whether the Group's F&B Business will require the services of both Targets. The Company wishes to clarify that the completion of the GreatSolutions Disposal meant that the Cleaning and Dishwashing Business would no longer be a business segment of the Group as the Targets would only be providing services to the Group's F&B Business (in the interests of costs savings and efficiency) and not to external customers.

As Mr Tay approached the Company recently to offer to buy the Targets, the Company was of the view that the disposal of the Targets would be in the best interests of the Group due to the following reasons:

- (a) based on the Company's assessment of the operations and needs of the Group's F&B Business, the services of the Targets are not essential to the Group's F&B Business;
- (b) it would not be worthwhile for the Group to retain the Targets and continue to bear the operating costs of the Targets when there is a ready buyer and when the Targets do not have a customer base which could contribute to the overall revenue of the Group; and
- (c) the Targets had incurred losses in the first 5 months of the current financial year ending 31 December 2020.

In addition, as set out in the Announcement, the Proposed Disposal will allow the Group to focus on managing and expanding the F&B Business and BOP Business.

BY ORDER OF THE BOARD

Pang Pok
Chief Executive Officer and Executive Director

7 July 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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