

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

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**RESPONSES TO SGX QUERY**  
**IN RESPECT OF THE ANNOUNCEMENT DATED 8 OCTOBER 2020**

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The Board of Directors (the “**Board**”) of GS Holdings Limited (the “**Company**” and collectively with its subsidiaries, the “**Group**”) refers to the announcement dated 8 October 2020 (the “**Announcement**”) in respect of the joint venture agreement entered into by the Company’s indirect wholly owned subsidiary, Hao Kou Wei Pte. Ltd. (“**HKW**”) and Mr. Xing Zhiyuan (the “**JV Partner**”).

*Unless otherwise defined herein, capitalised terms in this announcement shall have the meaning ascribed to them in the Announcement.*

The Company sets out below the queries raised by the SGX-ST on the Joint Venture and the Company’s responses to the queries.

**Query 1**

*What due diligence did the Board perform on the JV Partner? What did the Board consider in entering into the JV agreement?*

**Company’s Response**

The Company wishes to inform that certain members of the Board, namely Mr. Pang Pok, the Executive Director and Chief Executive Officer, Mr. Liu Changsheng, the Non-Executive and Non-Independent Director, have visited the JV Partner’s holdings companies’ operations and head office in China on a number of occasions, prior to the COVID-19 outbreak. Mr. Pang Pok had also taken steps to understand more about the JV Partner’s background through a mutual business associate, who was based in China for 30 years. The Board further understands from the management that information in relation to the JV Partner as set out in Paragraph 3 of the Announcement was provided and confirmed by the JV Partner. As part of its considerations in entering into the JV agreement, the Board took into account the rationale and benefits for entry into the Joint Venture as set out in the Announcement and further noted the relatively low risk exposure for the Company in entering into the Joint Venture, with such risk exposure being the HKW Loans which, in any event, was to be extended at such juncture and tranches to be determined in HKW’s sole discretion.

## **Query 2**

*What are the concrete deliverables / specific targets and timeline of (i) the JV arrangement, (ii) HKW, (iii) JV Partner? What did the Board consider in assessing whether the JV Partner is able to deliver on the key deliverables?*

### **Company's Response:**

The deliverables / targets and relevant timeline in respect of the Joint Venture are as follows:

<b>Deliverables / Targets</b>	<b>Indicative Timeline</b>
To develop and register new F&B brands and set up showrooms with model outlets illustrating the foregoing F&B brands	Within 3 months from the date of the Joint Venture Agreement
To start selling franchises in respect of the foregoing F&B brands	After such date falling 3 months from the date of the Joint Venture Agreement

In assessing whether the JV Partner is able to deliver the foregoing key deliverables, the Board considered, among others, the background and business experience of the JV Partner, which was provided by the management, Mr. Pang Pok and Mr. Liu Changsheng. In particular, the Board understands and noted that the JV Partner has operated several successful F&B franchises in China. The Board further understands that the JV Partner is keen to utilise the JV Company as a platform to build and create successful new F&B brands originating from Singapore, and is committed to provide human resources in the form of Relevant Personnel, its expertise and experience, knowhow, network of contacts and the relevant intellectual property rights to achieve the key deliverables.

## **Query 3**

*What are the Board's plan for JV Company? When is it expected to generate revenue? What is the business and revenue model expected of the JV Company? Which entity will own the F&B brands?*

### **Company's Response:**

As set out in Paragraphs 2.2 and 4.5(c) of the Announcement, the JV Company is expected to develop, franchise and manage various new F&B brands, with the assistance from the JV Partner, who shall provide the know-how, trademarks, licenses, intellectual properties and any other items deemed necessary for the foregoing. In this regard, the F&B brands so developed by the JV Company with the assistance and support provided by the JV Partner, may be sold and / or franchised locally and / or in China and other overseas markets, with support to be provided by the JV Company to such franchisees situated locally and /or in China and other overseas markets.

The Company expects that the JV Company will generate revenue at such time when the JV Company starts selling franchises in respect of its F&B brands, as set out in Query 2.

Pursuant to the Joint Venture Agreement, the new F&B brands created by the JV Company in the course of or arising from the Business will be wholly owned by the JV Company.

#### **Query 4**

*In paragraph 4.6, it was stated that the terms of the Joint Venture Agreement set 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. What are these matters?*

#### **Company's Response:**

Pursuant to the Joint Venture Agreement, the following matters require the unanimous approval of the shareholders of the JV Company:

- (a) participation in, acquisition of any shares or interests or making any investment in another company or business or incorporate any subsidiary;
- (b) changing the nature or scope of the Business or commencing any new business not being ancillary or incidental to the Business;
- (c) entry into any partnership or joint venture with any other person;
- (d) making any material amendment, modification or change to the Constitution of the JV Company;
- (e) changing the name of the JV Company;
- (f) winding-up, dissolving or liquidating the JV Company other than in accordance with the Joint Venture Agreement;
- (g) any amalgamation or reconstruction of the JV Company, or merger, consolidation or amalgamation with any company, association, partnership or legal entity;
- (h) adoption of any share or option scheme or any amendment to the terms thereof, the terms of any grant of shares or options to any employee or the number of shares or options comprised in such share or option scheme;
- (i) sale, transfer, or disposal of the whole or substantially all of the Company's undertaking;
- (j) creation or allowing to subsist any charge, lien or other encumbrance over any of its assets;
- (k) acquisition of the equity interests of any person, or any assets or businesses (other than in the ordinary course of business), whether by merger, consolidation, equity interest acquisition, stock swap, asset purchase or otherwise, other than acquisitions (individually or together with all related acquisitions) with a purchase price of less than \$10,000,000 in the aggregate; and
- (l) any other matters as may be agreed upon between HKW and the JV Partner from time to time.

#### **Query 5**

*In paragraph 4.5(b), it was stated that HKW would provide shareholder's loan of up to S\$500,000 as working capital for the JV Company. Why is GS Holdings the only party providing the loan, and not the JV Partner? If the JV Company requires additional funding in the future, how would it obtain such funding?*

#### **Company's Response:**

Pursuant to the Joint Venture Agreement, the JV Partner will be providing the JV Company with the following support and items, which are essential to the JV Company's Business, at no additional cost:

- (i) prior experience, know-how, trademarks, licenses, intellectual properties and any other items deemed necessary in developing, selling and managing the franchise of the new F&B brands, provided that such items provided are owned by the JV Partner, or any of the entities directly or indirectly controlled or owned by the JV Partner, or associates of the foregoing parties; and

- (ii) operational support and procurement of Relevant Personnel to assist the JV Company in the following areas:
  - (a) Sales of franchise;
  - (b) Training of franchisees' management and / or other employees;
  - (c) Supply chain;
  - (d) Marketing;
  - (e) Advertising;
  - (f) Research and development of new products by the JV Company; and
  - (g) Brand and franchise designers,

for such period of time as may be deemed necessary by the JV Company for developing and / or creating the brands, completing the sales of franchises and for supporting such franchisees in opening new outlets and / or selling new products, or until such date as may be agreed by the parties in writing. The JV Partner and the Relevant Personnel shall not be entitled to claim for man hours incurred by the Relevant Personnel. However, the parties agree that the JV Company shall be responsible for out-of-pocket expenses incurred by the Relevant Personnel in connection with or arising from the provision of the foregoing support set out in sup-paragraphs (a) to (g) above, provided that the JV Company deems such out-of-pocket expense to be reasonable and provides written approval of such out-of-pocket expense.

Please refer to Paragraphs 4.5 (c) and (d) of the Announcement for more details on the JV Partner's obligations under the Joint Venture Agreement.

In view of the foregoing contribution to be made by the JV Partner, the Company believes that the provision of HKW Loans is a reasonable contribution by HKW. In addition, the Company wishes to highlight that the HKW has sole discretion over the number of tranches in which the HKW Loans will be disbursed, and that the HKW Loans must be fully repaid before the JV Company can distribute cash dividends.

Pursuant to the Joint Venture Agreement, in the event the JV Company requires additional working capital (other than the HKW Loans), such additional working capital shall be provided in the following sequence, unless otherwise agreed in writing between the Parties:

- (a) firstly, by means of overdraft or other borrowings from banks;
- (b) secondly, by the HKW and the JV Partner by way of further capital contributions in proportions which reflect their respective shareholdings in the Company at the date on which such contributions are to be made; and
- (c) thirdly, by way of additional loans from HKW and the JV Partner in proportions which reflect their respective shareholdings in the Company at the date on which such loans are to be made.

**Query 6**

*What did the Board consider in providing the HKW Loans, and why is this in the best interest of the Group? Did the Joint Venture Agreement set out how/for what purpose will the Loan be drawn down for and parties overseeing the utilization?*

**Company's Response:**

As mentioned in the Company's response to Query 5, the Board has considered the relevant contributions to be made by the JV Partner under the Joint Venture Agreement, and is of the view that the provision of HKW Loans is a reasonable obligation undertaken by HKW. In any event, HKW retains control on the number of tranches of HKW Loans to be disbursed, pursuant to the Joint Venture Agreement, and the JV Company has to repay the HKW Loans before distributing cash dividends.

As set out in Paragraph 4.5(b) of the Announcement, pursuant to the Joint Venture Agreement, the HKW Loans shall be provided for the expenses of the Relevant Personnel, equipment, ingredients for products and / or third party services as may be required by the JV Company in its operations.

The management of HKW will be overseeing the utilisation of the HKW Loans by the JV Company. HKW will enter into a separate loan agreement with the JV Company as and when the HKW Loans are to be disbursed.

**Query 7**

*Moving forward, will transactions be between the Group / the JV, with the JV Partner or JV Partner's entities?*

**Company's Response:**

The Company wishes to clarify that the JV Company intends to sell franchises of F&B brands, which it has developed, to other third parties.

The Company does not expect that there will be any transactions between the Group or the JV Company with the JV Partner or its entities in the short term, as the obligations of the JV Partner have been set out in the Joint Venture Agreement.

To reiterate, the JV Partner's obligations under the Joint Venture Agreement include the following, among others:

- (i) as set out in Paragraph 4.5(c) of the Announcement, the JV Partner will assist the JV Company in development of F&B brands by providing the JV Company with prior experience, know-how trademarks, licenses, intellectual properties for the development, sales and management of franchise of the foregoing brands, without requiring the JV Company to pay any fees or cost to the JV Partner for using any of the foregoing items deemed necessary for the operation of the JV Company and the Business, which are owned and provided by, the JV Partner (or any of the entities directly or indirectly controlled or owned by the JV Partner or associates of the foregoing parties).
- (j) as set out in Paragraph 4.5(d) of the Announcement, the JV Partner shall provide operational support and procure the engagement of the Relevant Personnel in the course of the Business of the JV Company, at no cost and free of charge to the JV Company (save for out-of-pocket expenses of such Relevant Personnel), for such period of time as may be deemed necessary by the JV Company for developing and / or creating the brands, completing the sales of franchises and for supporting such franchisees in opening new outlets and / or selling new products, or until such date as may be agreed by the parties in writing.

Please refer to Paragraphs 4.5(c) and (d) of the Announcement for more information on the obligations of the JV Partner under the Joint Venture Agreement.

In the event there are any material amendments or transactions to be entered into between the Group / JV Company and the JV Partner and / or the JV Partner's entities, the Company will make the relevant announcement in accordance with the applicable Catalist Rules.

#### **Query 8**

*Who are the Management currently overseeing HKW's business?*

#### **Company's Response:**

The management currently overseeing HKW's business include Mr Pang Pok, Mr Jason Lam and Ms Eliss Pang. Mr Pang Pok is the Executive Director and Chief Executive Officer of the Company, and has more than 30 years of experiences in F&B industry, including managing and operating Aik Hua F&B Group from 1990 to 2002, which is a chain of 56 outlets of coffee shops. Mr Jason Lam, is the General Manager of HKW and an executive Officer of the Group, who has more than 15 years of experience in the F&B industry in China, Japan and South East Asia. Mr Jason Lam has had more than 600 corporate and franchise stores under his responsibility, and extensive experience in representing global brands, acquiring and creating new brands. Ms. Eliss Pang is the director of operations of the Group and has previous experience in the F&B industry, managing a chain of food kiosks.

#### **Query 9**

*How will HKW / Listco be represented on the Board of the JV Company?*

#### **Company's Response:**

As set out in Paragraph 4.4. of the Announcement, pursuant to the Joint Venture Agreement, the board of directors of the JV Company shall comprise up to three directors. Two directors shall be nominated by HKW and one director shall be nominated by the JV Partner.

In addition, the Company has stated in its announcement dated 9 October 2020 in respect of the incorporation of the JV Company, that Mr Pang Pok and Ms. Eliss Pang are directors nominated by HKW, and the JV Partner has nominated himself as director of the JV Company.

#### **Query 10**

*JV Partner is in charge of providing operational support to the JV Company. How is the Group / HKW involved in matters of JV Company?*

#### **Company's Response:**

The Company wishes to clarify that, as set out in Paragraph 4.5(a) of the Announcement, HKW shall be responsible for the provision / hiring of a management team who will be running the business and day-to-day operations of the JV Company. The JV Partner will be providing operational support by engaging the Relevant Personnel to provide assistance to the JV Company, in a manner that would be similar to consultants, free of charge (save for out-of-pocket expense, details of which are set out in Paragraph 4.5(d) of the Announcement). The Company wishes to clarify that these Relevant Personnel will not be employed by HKW, and the employees and management of the JV Company will consist of such persons appointed by HKW. Please refer to the Company's response to Query 8 for more information on the management team of the JV Company.

#### **Query 11**

*Please identify the party that introduced the JV Partner to Mr Pang.*

**Company's Response:**

The JV Partner was introduced by Mr. Pang Pok by Mr Cheang Sin Kwong, being the former head of F&B division of the Group. The former head of F&B has since left his employment with the Group for personal reasons.

**Query 12**

*What due diligence enquiries did the Sponsor perform with regards this transaction?*

**Company's / Sponsor's Response:**

In addition to reviewing the Announcement on the Joint Venture for compliance with the relevant disclosure requirements under the Catalist Rules, the Sponsor had also raised various clarification queries to the Company including, inter alia, whether the information on the JV Partner had been independently verified, and the rationale and scope of the Joint Venture. The Sponsor had also suggested that the Company update shareholders on the status of other previously announced Joint Venture and Franchise arrangements, which the Company agreed and included in the Announcement.

By Order of the Board

Pang Pok  
Executive Director and Chief Executive Officer

12 October 2020

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*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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