

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

ENTRY INTO JOINT VENTURE AGREEMENT AND OTHER BUSINESS UPDATES

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 indirect wholly owned subsidiary, Hao Kou Wei Pte. Ltd. (“**HKW**”), has on 8 October 2020 entered into a joint venture agreement (the “**Joint Venture Agreement**”) with Mr. Xing Zhiyuan (the “**JV Partner**”, collectively with HKW, 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\$20,000 comprising 20,000 ordinary shares to be held by the Parties in the proportion set out below.

	No. of Shares	Percentage of entire issued share capital
HKW	10,200	51.0%
JV Partner	9,800	49.0%
Total	20,000	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**”). The Business will be primarily carried out in Singapore, notwithstanding that the food & beverage brands so developed may be sold and / or franchised locally and / or 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.

3. INFORMATION ON THE JV PARTNER

The information on the JV Partner was provided by the JV Partner. In respect of such information, the Company and the Directors have not independently verified the accuracy and correctness of the such information, and the Company’s responsibility is limited to the proper extraction and reproduction of such information herein, in the context that the information is being disclosed in this announcement.

- 3.1** The JV Partner is a Chinese citizen and a businessman with extensive experience in the food & beverage industry. The JV Partner has, through its holding companies, established “Email Coffee (逸美时光咖啡)”, a café chain with approximately 560 outlets. In 2016, the JV Partner established a brand “Xing Shao Ye (邢少爷)”, which mainly sells Chinese pancakes, valued at RMB 250 million. The JV Partner also established the “Yomie Yoghurt (有米酸奶)” brand in

China in 2018, which has expanded to about 860 outlets globally in 43 countries, including Singapore.

- 3.2** The JV Partner has also, through his holding companies, franchised several Korean food and beverage brands in China, including “Chicken Couple” and “The Frypan” in 2014, which have expanded to approximately 900 franchised outlets and 867 outlets in China respectively. In 2017, the JV Partner franchised “Juicy”, a fruit juice brand, which currently has about 300 franchised outlets in China. Thereafter, the JV Partner also opened a lifestyle store under the Juicy brand, which is valued at approximately RMB 350 million. The JV Partner also brought the “N2U Barbecue (N2U 烧烤)” brand into China, which currently has approximately 465 franchised outlets in China.
- 3.3** Mr. Pang Pok, the Executive Director and Chief Executive Officer, of the Company was introduced to the JV Partner by the former head of food & beverage division of the Group. As at the date of this announcement, the JV Partner does not hold any shares in the capital of the Company directly or indirectly. The JV Partner is not related to any directors or substantial shareholders of the Company.

4. SALIENT TERMS OF THE JOINT VENTURE AGREEMENT

4.1 Subscription of Shares by HKW

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
HKW	10,200	51.0%
JV Partner	9,800	49.0%
Total	20,000	100.0%

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

The consideration payable by HKW for the subscription of the shares in the JV Company (the “**Subscription Shares**”) is S\$10,200, 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

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

4.4 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 HKW 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 include the following, among others:

In respect of HKW:

- (a) HKW shall be responsible for the hiring of a management team who will be running the business and day-to-day operations of the JV Company;
- (b) HKW shall also provide a shareholder's loan to the JV Company of up to S\$500,000 as working capital ("**HKW Loans**"). The HKW Loans shall be provided free of interest and in such number of tranches as HKW deems necessary, in its sole discretion, for the expenses or of the Relevant Personnel (as defined below), equipment, ingredients for products and / or third party services as may be required by the JV Company in its operations;

In respect of the JV Partner:

- (c) the JV Partner shall be responsible for assisting the JV Company with the creation of new brands for the JV Company by providing the Company with prior experience, know-how, trademarks, licenses, intellectual properties and any other items deemed necessary in developing, selling and managing the franchise of the foregoing brands. Save as otherwise agreed in writing by the parties, the JV Company will not be required to pay any fees or cost to the JV Partner in using the brands, trademarks, licenses, intellectual properties, and any other 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, and there shall not be any franchise fees / license fees and / or royalties or such other costs in respect of any sale of franchise and / or products by the JV Company, or in respect of any revenue received by the JV Company from franchisees, to be paid by the Company to the JV Partner in connection with the foregoing.

For avoidance of doubt and notwithstanding the foregoing, unless otherwise agreed by the parties in writing, the JV Company shall bear all costs and fees payable to third parties, including any franchise fees, license fees, royalties and / or such other costs incurred in connection with the procurement and / or the franchising of any third party brands, which may be introduced by the JV Partner and / or HKW and are not owned by HKW, the JV Partner, or any of the entities directly or indirectly controlled or owned by them and / or their respective associates ("**Third Party Brands**"); and

- (d) the JV Partner shall, in the course of the JV Company's Business, including the sales of franchises by the JV Company, provide the relevant operational support to the JV Company and procure the engagement of personnel ("**Relevant Personnel**") with the relevant expertise by the JV Company, in respect of the areas including but not limited to:
 - (i) Sales of franchise;
 - (ii) Training of franchisees' management and / or other employees;
 - (iii) Supply chain;
 - (iv) Marketing;
 - (v) Advertising;
 - (vi) Research and development of new products by the JV Company; and
 - (vii) Brand and franchise designers.

The JV Partner agrees that the foregoing support will be provided at no cost and free of charge to the JV Company, 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. Notwithstanding the foregoing, 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 sub-paragraphs (i) to (vii) above, including travel and / or accommodation and / or transport expenses in the event such Relevant Personnel is required to travel overseas for the sole purpose of providing such support set out in sub-paragraphs (i) to (vii) 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. The JV Partner and the Relevant Personnel shall not be entitled to claim for man hours incurred by the Relevant Personnel.

4.6 Reserved Matters

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.

4.7 HKW Loans

The HKW Loans will be provided using HKW's internal source of funds. Furthermore, pursuant to the Joint Venture Agreement, the HKW Loans must be fully repaid before the JV Company can distribute cash dividends.

5. RATIONALE FOR AND BENEFITS OF THE JOINT VENTURE

- 5.1** HKW'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 in a company to carry out a F&B related business, the transaction will not change the risk profile of the Group.
- 5.2** The Board believes that HKW's entry into the Joint Venture is also beneficial to the Group as it will facilitate the Group's expansion of its F&B business, development of new F&B brands for regional franchising at a relatively small investment amount, taking into account the amount of consideration for the Subscription Shares and the HKW Loans (as may be provided in such number of tranches as HKW deems necessary in the sole discretion of HKW). In addition, by leveraging on the strong network, experience and expertise of the JV Partner in respect of F&B business and in particular, franchising, HKW's entry into the Joint Venture Agreement provides a strategic platform for the Group to execute its expansion plans in respect of F&B brands development.
- 5.3** The Joint Venture and the incorporation of the JV Company are also intended to facilitate the creation and development of approximately 10 of the Group's new F&B brands. The JV partner brings to the Group extensive expertise and experience in new brand creation and franchising, both in China and other overseas markets.
- 5.4** In addition, the Company hopes that the Joint Venture can create strong Singapore brands in Singapore, which can represent Singapore's F&B industry overseas, by way of franchising such brands in Singapore, China and / or other overseas markets. The Company also intends for the Joint Venture to provide a platform to engage and develop local entrepreneurial and creative

talents in the F&B industry in Singapore, with a view for such talents to expand their expertise in domestic and overseas markets, together with the Group. In this regard, the Company believes that the Joint Venture may provide jobs or engagement opportunities to local creative talents in the development of new F&B brands, and at the same time, provide new business opportunities to local entrepreneurs in the form of franchises of the new brands developed by the JV Company.

- 5.5 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 2020.

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. UPDATES ON EXISTING JOINT VENTURE AND OTHER FRANCHISE

The Company wishes to provide an update on the other existing joint ventures and franchise business of the Company:

- (i) Joint venture in respect of Wish Health Management (Shanghai) Co., Ltd.

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” brand), operation and procurement services (“**BOP Services**”) business in China, which has been referred to by Ms. Zhang Liying, being the relevant joint venture partner. Please refer to the announcement dated 18 October 2019 for more information on Wish Shanghai.

The business and operation of Wish Shanghai has been delayed due to the COVID-19 outbreak.

(ii) Joint venture in respect of Raffles Brands Pte. Ltd.

Raffles Brands Pte. Ltd. ("**Raffles Brands**") was incorporated on 29 October 2019, 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 China, via business opportunities referred to by Ms. Zhang Liying, being the relevant joint venture partner in respect of Raffles Brands. Raffles Brands Management (Shanghai) Co. Ltd. ("**Raffles Brands Shanghai**") was later incorporated on 19 December 2019 as a wholly-owned subsidiary of Raffles Brand, to facilitate the foregoing business in China, Please refer to the announcement dated 29 October 2019, for more information Raffles Brands, and the announcement dated 24 December 2019 for more information on Raffles Brands Shanghai.

The business and operation of Raffles Brands and Raffles Brands Shanghai has also been delayed due to the COVID-19 outbreak.

(iii) Franchise in respect of "Rasa Chicken by Sing Swee Kee" brand in Brunei

In respect of franchise of the "Rasa Chicken by Sing Swee Kee" brand, the Company is pleased to announce that the franchisee in Brunei has officially opened the first franchise outlet of "Rasa Chicken by Sing Swee Kee" on 1 September 2020, notwithstanding the ongoing situation pertaining to the COVID-19 outbreak. The Group is currently in discussions with the franchisee in Brunei to open the second franchise outlet in Brunei.

10. 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 material developments on the same.

By Order of the Board

Pang Pok
Executive Director and Chief Executive Officer

8 October 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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