GS HOLDINGS LIMITED
(Incorporated in Singapore on 19 September 2014)
(Company Registration Number: 201427862D)

RESPONSE TO THE SGX-ST'S QUERY IN RESPECT OF THE ANNOUNCEMENT DATED 13 JUNE 2021

The Board of Directors (the "**Board**") of GS Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" and each a "**Group Company**") sets out below the queries raised by the SGX-ST in respect of the 13 June Announcement, and its responses to the queries.

Query 1:

On 29 April 2021, the Company announced that the Outstanding Service Fees of RMB100 million had been received by Wish Shanghai, and such receipt has been verified by the management of the Company.

On 11 June 2021, the Company's auditor informed the Board that the Outstanding Service Fees which had been received in Wish Shanghai's bank account has an existing encumbrance.

Mr Zhang and Mr Liu were both aware of the circumstances leading to the Relevant Encumbrance which arose as a result of the loan from Third Party that was provided to the 11 Secured Outlets to enable them to pay the Outstanding Service Fees.

Query 1a

The Board said that it was unaware of the Relevant Encumbrance. Was the Board aware of the loan that Kaifeng Jufeel had arranged for the Third Party to loan to the 11 Secured Outlets to enable them to pay the Outstanding Service Fees?

Company's Response to Query 1a

The Board had several discussions on the payment of the Outstanding Service Fees by the Secured Outlets on or around end April 2021. While the possibility of some financing being arranged by certain Secured Outlets to pay their respective Outstanding Service Fees may have been mentioned during one of these discussions, the Board (save for Mr Zhang) was not aware of, and could not verify (i) whether these loan(s) were indeed taken out by such Secured Outlets and (ii) the details of such loans. The Board's focus at that time was on the successful collection of the Outstanding Service Fees of RMB100 million within the stipulated deadline.

The Board (save for Mr Zhang) was only made aware of the existence of loan(s) to the 11 Secured Outlets at a discussion (attended by the Audit and Risk Management Committee and management) with its auditors during the evening of 10 June 2021. As announced on 13 June 2021, the Board (save for Mr Zhang) was not aware of the Relevant Encumbrance until it was brought to their attention by the auditors during the late evening of 11 June 2021 and upon further inquiry thereafter.

The Board wishes to highlight that Mr Zhang has also since clarified that the financing from the Third Party was extended to Kaifeng Jufeel, which in turn provided a loan in aggregate of RMB 100 million (i) to 11 Secured Outlets to enable them to make payment of the Outstanding Service Fees billed in

FY2019 amounting to RMB 96 million, and (ii) to 2 Secured Outlets to enable them to make payment of part of the Outstanding Service Fees billed in FY2020 amounting to RMB 4 million.

<u>Query 1b</u>

Why is there a need for the 11 Secured Outlets to take a loan to repay the Outstanding Service Fees? What is the Board's assessment and opinion on collectability of remaining services fees and future service fees, from these outlets / any other outlets involved in the BOP business? Pls provide bases and justifications.

<u>Company's Response to Query 1b</u>

Due to the unfavourable business conditions brought about by the COVID-19 outbreak, the business of Secured Outlets was adversely impacted. The Company understands that the Secured Outlets had obtained the relevant loan, after considering their cash flow requirements.

In respect of the collectability of remaining service fees and future service fees:

(i) the Company is confident that the Group can receive the Outstanding Service Fees billed in FY2020 by early July 2021, as the Company understands that the Secured Outlets are in the process of securing relevant funding. The Company further understands that the foregoing funding will be a separate loan and is not expected to create any encumbrance on the amount of Outstanding Service Fees paid to the Group; and

(ii) moving forward, the Company wishes to highlight that the service fees in respect of BOP business (or now referred to as "health management services") with the Secured Outlets, which have signed or will sign the new health management services agreement, will be charged on a quarterly basis comprising, in effect, the higher of (a) services fees and (b) variable fees to be accrued in proportion to the revenue derived by such Secured Outlets from product sales (in the form of commission). As such, in effect, subject to being a minimum of the stipulated services fees, the amount of the quarterly service fees will be determined based on, and aligned with the performance of the Secured Outlets in terms of revenue, which helps to ensure that the Secured Outlets will be able to pay the relevant service fees. Please refer to the Company's announcement dated 31 March 2021 for more information on the health management service agreements, the Secured Outlets which have signed such agreements, and the relevant service fees in respect of the BOP business (or to be referred to as "health management services") to be paid pursuant to such agreements.

    By way of update, the Group intends to discuss the signing of the health management services agreement with the remaining 6 Secured Outlets in July 2021, after the Group has received the Outstanding Service Fees billed in FY2020. Pursuant to the existing BOP services agreements entered into between Wish and each of the 6 Secured Outlets, these agreements have been automatically renewed for another year as the 6 Secured Outlets did not provide any termination notices to Wish.

<u>Query 1c</u>

During Mr Zhang's review of the announcement dated 29 April 2021 which stated that "the outstanding service fees of RMB 100 million have been received by Wish Shanghai", why did Mr Zhang not inform the Board that the Outstanding Service Fees were encumbered?

<u>Company's Response to Query 1c</u>

As set out in the 13 June Announcement, Mr. Zhang did not inform the Board of the Relevant Encumbrance as he had believed that (i) the discharge of the existing Mortgage would take place promptly upon the payment of the foregoing Outstanding Service Fee of RMB100 million into Wish Shanghai's bank account, and the registration of the New Third Party Mortgage could occur immediately after, and (ii) the discharge and creation of such mortgages were standard administrative processes of Kaifeng Jufeel. As such, Mr. Zhang was not aware of the need to inform the Board of the foregoing procedures.

In addition, as Mr Liu Changsheng was handling the administrative process pertaining to the mortgages, Mr. Zhang did not expect that the Relevant Encumbrance would remain undischarged as at 11 June 2021 and failed to appreciate the significance of the Relevant Encumbrance.

In this regard, the Company understands that, since 29 April 2021 to the date of this announcement, Mr. Liu had undertaken the necessary steps to register the New Third Party Mortgage with the relevant PRC authorities, with a view to ultimately removing the Relevant Encumbrance.

Query 2

It was stated the Company expects the discharge and release of the Relevant Encumbrance to be completed by 30 June 2021. Please explain what are the steps to be taken between now and 30 June 2021 to enable the release of the Relevant Encumbrance. What is the progress made to-date?

Company's Response to Query 2

To the best of the Company's knowledge, the existing Mortgage was discharged after the Kaifeng Jufeel had fulfilled its obligation in the payment of the Outstanding Service Fees to Wish Shanghai, subject to the requisite administrative procedures to be undertaken with the relevant PRC authorities. The Company understands that since 29 April 2021 to the date of this announcement, the foregoing procedures had been completed.

In addition, to the best of the Company's knowledge, moving forward, the steps involved would be as follows:

(i) to complete the registration of the New Third Party Mortgage, including the requisite administrative processes with the relevant PRC authorities by 25 June 2021; and

(ii) to remove the Relevant Encumbrance and complete the requisite procedures with the bank, by 30 June 2021.

The Company wishes to inform that Kaifeng Jufeel and the Third Party are in the process of step (i) as at the date of this announcement, and expects the foregoing steps (i) and (ii) to be completed by 30 June 2021.

Query 3a

The key outstanding matters for the ongoing statutory audit for FY2020 include the completion of the audit of the Outstanding Service Fees of RMB100 million, in view of the existing Relevant Encumbrance which remains to be discharged and released. What will be the steps taken by the auditor to audit the receipt of the Outstanding Service Fees?

Company's Response to Query 3a

Upon the discharge and release of the Relevant Encumbrance, which the Company expects to complete by 30 June 2021, the auditors will proceed to seek bank confirmation of the same.

In addition to obtaining the relevant bank confirmation, the auditors will proceed to perform the following procedures:

(i) sighting of discharge and release of the Relevant Encumbrance documents;

(ii) review of bank facility agreement, if any; and

(iii) obtain bank statements from the date of bank confirmation until date nearer to the authorisation of financial statements to check the movement in the bank, if any.

Query 3b

What are the controls put in place to safeguard the RMB100 million?

Company's Response to Query 3b

The Company has implemented certain internal control measures in respect of the relevant bank account, in which the RMB100 million is kept (the "**Relevant Bank Account**").

To provide background, the Relevant Bank Account was opened in April 2021 to facilitate the receipts of the Outstanding Service Fee of RMB100 million. In view that Mr. Pang Pok, the Company's Chief Executive Officer and Executive Director ("**CEO**") and Mr. Chong Paw Long, the Company's Chief Financial Officer ("**CFO**") were unable to travel to PRC due to the travel restrictions caused by the COVID-19 outbreak, Mr. Liu Changsheng, a director of Wish and Wish Shanghai and legal representative of Wish Shanghai, had been appointed as the authorised signatory of Wish Shanghai to assist with the opening and in respect of the Relevant Bank Account.

Around the same time as the opening of the Relevant Bank Account, the Company has also approved the following internal measures, which has been implemented:

(i) once travel restrictions have eased, the CEO and/or the CFO shall travel to PRC to take the necessary administrative steps to be added as authorised signatories of the Relevant Bank Account and may replace Mr. Liu Changsheng as authorised signatories of the Relevant Bank Account;

(ii) in the interim period until the authorised signatories of the Relevant Bank Account can be changed as set out in sub-paragraph (i) above, all transfers and payments from the Relevant Bank Account must be approved by the CEO and/or the CFO; and

(iii) the limit of each transfer/payment from the Relevant Bank Account is to be set at RMB 300,000. The foregoing limit may be increased to RMB 1,000,000 or higher, depending on the needs of the Group, after the CEO and/or CFO has been added as authorised signatories of the Relevant Bank Account; and

(iv) the addition of Mr. Fu Wenxing, the general manager of Wish and an executive officer of the Group, who is based in PRC, as an additional authorised signatory of the Relevant Bank Account in the interim period, until the CEO and CFO can travel to PRC to complete the necessary administrative requirements to be added as authorised signatories to the Relevant Bank Account.

    In this regard, the Company wishes to highlight that the relevant PRC bank has confirmed that the new authorised signatories must be physically present at the bank to be appointed as such.

Please also refer to the Company's response to Query 4c for further measures which the Company intends to undertake to safeguard the amount of RMB100 million held in the Relevant Bank Account, particularly upon the release of the Relevant Encumbrance.

Query 4

Upon the release of the Relevant Encumbrance:

Query 4a

What are the Company's plans in relation to the funds of RMB100 million? What will the funds be used for?

Company's Response to Query 4a

The Company intends to use the Outstanding Services Fees amounting to RMB 153.47 million, which consists of:

(i) RMB 10.48 million collected in November 2020 as announced on 16 November 2020;

(ii) RMB 10.32 million collected in December 2020 as announced on 7 December 2020;

(iii) RMB 100 million collected on 29 April 2021 and as announced on the same date; and

(iv) RMB 32.67 million which is billed in FY2020 and is expected to be collected,

for the following purposes:

(a) as working capital for its current business in PRC and in Singapore. As at the date of this announcement and subject to changes in the Group's business plans, the Group intends to utilise 50% of the working capital for the Group's current business in PRC and the remaining 50% for the Group's business in Singapore;

(b) to expand the Group's F&B business, which have been delayed due to the COVID-19 outbreak;

(c) to invest in new businesses / assets as and when there are any viable opportunities which the Board deems suitable for the Group. In the event there are any such investments to be made, the Company will make the relevant announcements and / or obtain shareholders' approval as may be required under the Catalist Rules and other applicable laws; and

(d) to pay withholding and other relevant taxes in connection with the Outstanding Service Fees received;

(e) to consider declaring dividend, after the relevant amount has been remitted to Singapore, subject to and in accordance with applicable laws, and the finalisation of the Company's working capital requirements, and business plans as set out in sub-paragraphs (a), (b) and (c) above. The Board wishes to emphasise that a final decision on this has not been made.

Query 4b

Will the Company be repatriating the funds to Singapore. If not, why not? What will the timeline and steps expected of the repatriation?

Company's Response to Query 4b

Subject to the finalisation of the Company's working capital requirements in PRC and business plans as set out in the Company's response to Query 4a above, the Company may procure Wish Shanghai to repatriate part of the funds back to Singapore in the following manner:

(i) As at the date of this announcement, the Group is focusing its efforts and resources on the release and discharge of the Relevant Encumbrance and the finalisation of the audit report and annual report in respect of FY2020. The Group is also pushing for the collection of the Outstanding Service Fees billed in FY2020.

(ii) Thereafter, the Group intends to direct its resources to procure the Secured Outlets to settle the withholding and other taxes payable in respect of the RMB100 million received and the outstanding service fees billed in FY2020 amounting to RMB32.67 million expected to be collected, including resolving any withholding tax issues in connection therewith by way of Tax Consultations, with the assistance of the tax advisers.

Query 4c

How will the RMB100 million be safeguarded?

Company's Response to Query 4c

Please refer to the internal control measures in respect of the Relevant Bank Account as set out in the Company's response to Query 3b.

In addition to the existing internal control measures as mentioned above, the Company will consider to undertake the following measures:

(a) upon the release of the Relevant Encumbrance, to undertake necessary steps to transfer a part of or the full amount of the Outstanding Service Fees of RMB100 million collected, from the Relevant Bank Account to the other existing Bank Account of Wish Shanghai, of which authorised signatories for all transactions to be approved via the bank token are the CFO and Mr. Liu Changsheng, in order to minimise the amount held in the Relevant Bank Account; and

(b) in the meantime, to find an appropriate and safe way for the second bank token, which will be issued after the appointment of Mr. Fu as a second authorised signatory to the Relevant Bank Account, to be sent to Singapore for the management's safekeeping, to the extent allowed under the applicable laws of PRC.

 In this regard, the Company understands that bank tokens are considered as prohibited items in PRC for the purposes of shipping, and thus logistics company typically do not accept delivery of such items. Notwithstanding the foregoing, the Company is exploring other means of having the bank token delivered to Singapore. Please also see sub-paragraph (c) below.

 The Company further understands that upon the issuance of the second bank token, all transactions in respect of the Relevant Bank Account shall be approved by both bank tokens, including the existing bank token held by Mr. Liu Changsheng as the existing authorised signatory of the Relevant Bank Account; and

(c) as mentioned earlier, the Company intends for CEO and / or CFO to travel to PRC to take the necessary administrative steps to be added as authorised signatories of the Relevant Bank Account once travel restrictions has eased. The Company also intends for Mr. Pang to be added as an authorised signatory for the other existing bank account of Wish Shanghai (as mentioned in sub-paragraph (a) above). In this regard, the Company is exploring the possibility of travelling to PRC under the Air Travel Bubble established between PRC and Singapore to undertake the foregoing steps, as well as to collect the second bank token (in the event there are no other quicker means of delivering the same to Singapore).

In addition, the Audit and Risk Committee of the Company will request the Company's internal auditors to review the relevant internal control measures in respect of the Relevant Bank Account and to review payment transactions of the Relevant Bank Account to ascertain that all payments made have been duly and properly authorised in accordance with the Company's approved payments policies and procedures.

Query 5

In view of the Relevant Encumbrance, please provide the Board of Directors' assessment of the Group's ability to continue operating as a going concern and the bases for the said assessment. Please disclose how material the Outstanding Service Fees are vis-à-vis the net asset balance and net current asset balance of the Group.

Company's Response to Query 5

The Board is of the view that the Group is able to continue operating as a going concern, on the following basis, among others:

(i) availability of bank credit lines and convertible facilities of approximately S$15.1 million in aggregate;

(ii) anticipated recovery of the Group's F&B business segment from the third quarter of 2021; and

(iii) potential earnings from the distribution business to be undertaken by the Company subject to shareholders' approval being obtained at an extraordinary general meeting to be convened in due course. Please refer to the Company's announcements dated 29 January 2021 and 8 June 2021 for more information on the distribution business.

Based on the above factors, the Board has assessed the Group's cash flow needs and is of the opinion that there is sufficient cash to maintain the office / operations in Singapore and to meet its obligations as and when they fall due for at least the next 12 months, in the event the funds in PRC are not remitted back to Singapore.

The Outstanding Service Fees amounting to RMB100 million (approximately S$20 million) constitutes:

(a) 63% of the net asset balance of the Company of S$31.80 million as at 31 December 2020, based on unaudited financial results for the year ended 31 December 2020 as announced on 1 March 2021; and

(b) 78% of the net current asset balance of the Company of S$25.68 million as at 31 December 2020, based on unaudited financial results for the year ended 31 December 2020 as announced on 1 March 2021.

<u>Query 6</u>

Please provide the Board of Directors' opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3) (Going Concern) and the basis for such opinion.

<u>Company's Response to Query 6</u>

On the basis of the Board's view that the Group is able to operate as a going concern as set out in the Company's response to Query 5, the Board is of the opinion that there is no requirement for the Company to call for a suspension of trading of the Company's shares pursuant to Listing Rule 1303(3).

<u>Query 7</u>

Please provide the Board of Directors' confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.

<u>Company's Response to Query 7</u>

The Board is of the opinion that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner; and confirmed that all material disclosures have been provided for the trading of the Company's shares to continue.

BY ORDER OF THE BOARD

Pang Pok
Chief Executive Officer and Executive Director

17 June 2021

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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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