

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GS HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

- 1 We were engaged to audit the financial statements of GS Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
- 2 We do not express an opinion on the consolidated financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the "*Basis for Disclaimer of Opinion*" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

3 Opening Balances

The financial statements for the financial year ended 31 December 2020 were audited by another firm of auditors who expressed a disclaimer opinion on those financial statements in their report dated 14 July 2021. The basis of disclaimer of opinion on the financial statements for the financial year ended 31 December 2020 is disclosed in Note 37 to the financial statements.

In view of the matters described in the basis of disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 December 2020, we were unable to determine whether the opening balances as at 1 January 2021 are fairly stated.

Since the opening balances as at 1 January 2021 are entered into the determination of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended 31 December 2021, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the consolidated financial statements of the Group for the financial year ended 31 December 2021 and the statement of financial position of the Company as at 31 December 2021.

Our opinion on the current financial year's consolidated financial statements of the Group and the statement of financial position of the Company is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

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Basis for Disclaimer of Opinion (Continued)

4 Reclassification and Recoverability of Amount Due from Mr Zhang

As set out in Note 17(b) to the financial statements, included in the Group's other receivables is an amount of RMB100,000,000 (equivalent to S\$21,210,000) as at 31 December 2021 which is receivable from Mr Zhang Rongxuan ("**Mr. Zhang**"), the Company's non-independent and non-executive Chairman and Director.

As disclosed in Note 17(b) to the financial statements, the amount of RMB100,000,000 was previously recorded as cash and bank balances but was reclassified to other receivables as amount due from Mr. Zhang at the reporting date. However, we were unable to carry out our audit procedures to obtain sufficient appropriate audit evidence as to the appropriateness of this reclassification. We were also unable to ascertain the recoverability of the aforesaid amount due from Mr Zhang. Consequently, we were unable to determine whether any adjustments to the amount due from Mr Zhang of RMB100,000,000 (equivalent to S\$21,210,000) as at 31 December 2021 were necessary.

5 Existence and Quantum of Bank Balance Held in the People's Republic of China ("**PRC**")

As disclosed in Note 18(a) to the financial statements, the Group is unable to ascertain the bank balance amount of RMB20,451,0000 (equivalent to S\$4,338,000) held in Bank of China in the PRC due to management's inability to obtain the relevant bank statements. We are also unable to arrange for bank confirmation for the aforesaid bank balance amount. Consequently, we were unable to carry out our audit procedures to obtain sufficient appropriate audit evidence to ascertain the existence and the quantum of the bank balance amount of RMB20,451,0000 (equivalent to S\$4,338,000) held in Bank of China in the PRC, and related information that may require disclosures in the financial statements as at 31 December 2021.

6 Impairment Assessment of Property, Plant and Equipment and Intangible Assets

As set out in Notes 12 and 13 to the financial statements, the Group has property, plant and equipment of S\$1,901,000 (including right-of-use assets of S\$1,725,000) and intangible assets of S\$4,689,000 (including goodwill of S\$4,373,000) (collectively the "Non-financial Assets"), which are attributable to the food and beverages segment. As disclosed in Notes 12 and 13 to the financial statements, management has estimated the recoverable amount of these Non-financial Assets based on value-in-use calculations and assessed that no allowance for impairment loss is necessary.

However, we were unable to obtain sufficient appropriate audit evidence with respect to the cash flow projections used and the key estimates and assumptions applied in the value-in-use calculations to arrive at the recoverable amount of the Non-financial Assets. Consequently, we were unable to determine whether any impairment of the property, plant and equipment and intangible assets of S\$1,901,000 and S\$4,689,000, respectively, as at 31 December 2021 were necessary.

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TO THE MEMBERS OF GS HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Continued)

7 Impairment Assessment of Investments in Subsidiaries and Amounts Due from Subsidiaries

As set out in Notes 14 and 17 to the financial statements, the Company has investments in subsidiaries of S\$9,112,000 and amounts due from subsidiaries of S\$2,272,000 (net of allowance for impairment loss of S\$304,000) as at 31 December 2021. As disclosed in Note 14 to the financial statements, management has estimated the recoverable amount of the investments in subsidiaries based on value-in-use calculations and assessed that no allowance for impairment loss is necessary. As disclosed in Note 17 to the financial statements, management has assessed the amounts due from subsidiaries to have low credit risk and no further allowance for impairment loss is necessary.

However, we were unable to obtain sufficient appropriate audit evidence with respect to the cash flow projections used and the key estimates and assumptions applied in the value-in-use calculations to arrive at the recoverable amount of the investments in subsidiaries. Consequently, we were unable to determine whether any impairment of the investments in subsidiaries of S\$9,112,000 as at 31 December 2021 was necessary.

We were also unable to obtain sufficient appropriate audit evidence to support management's assessment on the recoverability of the amounts due from subsidiaries. Consequently, we were unable to determine whether any further impairment of the amounts due from subsidiaries of S\$2,272,000 as at 31 December 2021 was necessary.

8 Independent Review

As disclosed in Note 33 to the financial statements, the Company has engaged an independent party (the "**Independent Reviewer**") to carry out an independent review of the Group's branding, operations and procurement ("**BOP**") business (the "**Independent Review**") in view of the disclaimer of opinion issued by the independent auditors on the audited financial statements for the financial year ended 31 December 2020 and the various issues noted since the Group's diversification into the BOP business. The Independent Review is ongoing as at the date of our report.

Accordingly, we are unable to determine whether any findings may be reported by the Independent Reviewer which may require adjustments and/or additional disclosure or other consequential effect in respect of current and prior years financial statements.

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Basis for Disclaimer of Opinion (Continued)

9 Going Concern Assumption

We draw attention to Note 2(a) to the financial statements which indicates that for the financial year ended 31 December 2021, the Group reported a net loss of S\$10,420,000 and a total comprehensive loss of S\$9,383,000 and the Group has net cash used in operating activities of S\$404,000. Notwithstanding this, in the opinion of the Board of Directors of the Company, these financial statements can be prepared on a going concern basis as the Group has adequate resources, including the availability of banking facilities and a letter of commitment from the controlling shareholder of the Group for loans of up to S\$1 million that can be drawn down by the Group over a period of 2 years, if required, which will enable the Group to pay its debts as and when they fall due and that the Group will continue to generate adequate cash flows from its operations for the foreseeable future. Further, the Group is taking certain corporate actions, amongst others, expanding its business presence across high-growth end markets within Asia with new food and beverage brands, concepts and franchises to drive new growth, while diversifying the Group's revenue base and generating new cash flows.

However, due to the uncertainties surrounding the outcome of matters highlighted in paragraphs 3 to 8 above which may require further adjustments to the financial statements, we were unable to conclude on the appropriateness of the going concern assumption used in the preparation of the financial statements.

In the event the Group is unable to continue as a going concern, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities where applicable as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

Responsibilities of Management and Directors for the Financial Statements

- 10 Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act 1967 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from authorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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Responsibilities of Management and Directors for the Financial Statements (Continued)

- 11 In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
- 12 The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

- 13 Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the "*Basis for Disclaimer of Opinion*" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
- 14 We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

- 15 In our opinion, except for the matters as described in paragraphs 3 to 9 under the "*Basis for Disclaimer of Opinion*" section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.
- 16 The engagement partner on the audit resulting in this independent auditor's report is Mr Ng Chiou Gee Willy.

Moore Stephens LLP

Public Accountants and
Chartered Accountants

Singapore
30 June 2022