

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

DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Board of Directors (the “**Board**”) of GS Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**” and each a “**Group Company**”) refers to the Independent Auditor’s Report dated 30 June 2022 (the “**Independent Auditor’s Report**”) issued by the Company’s existing independent auditors (the “**Auditors**”), Moore Stephens LLP, in relation to the audited consolidated financial statements of the Group (the “**Audited Financial Statements**”) for the financial year ended 31 December 2021 (“**FY2021**”).

The Board wishes to highlight that the Auditors have included a disclaimer of opinion in their Independent Auditor’s Report in relation to the Audited Financial Statements for FY2021 (the “**Disclaimer Opinion**”). The Disclaimer Opinion, as extracted from the Independent Auditor’s Report, is set out in a separate attachment to this announcement.

The Independent Auditor’s Report and the Audited Financial Statements are set out in the Company’s Annual Report for FY2021 (“**FY2021 Annual Report**”) which was released by the Company on SGXNET on 4 July 2022. **Shareholders of the Company are advised to read this announcement in conjunction with the FY2021 Annual Report.**

1. BOARD’S COMMENTS ON DISCLAIMER OPINION

(a) Opening Balances

The audit opinion in the Auditor’s Report for the Company’s financial statements for financial year ended 31 December 2020 is a disclaimer of opinion on revenue recognition, bank balance of S\$20.47 million (RMB 100 million) with an encumbrance and trade and other receivables arising from Branding, Operations and Procurement (“**BOP**”) services as the auditors were unable to obtain sufficient appropriate audit evidence and supporting documentation to satisfy themselves or carry out alternative procedures to conclude on:-

- (i) Whether the amount received of S\$20.47 million (RMB 100 million) represents collections from the Group’s customers for the trade and other receivables outstanding at 31 December 2020.
- (ii) Whether there would be any implications arising from the encumbrance on the S\$20.47 million (RMB 100 million) including any potential recourse to the Group with respect to the receipt.
- (iii) Whether any allowance for expected credit losses are required for the Group’s trade and other receivables arising from BOP services amounted to S\$27.50 million (RMB 135.87 million) as at 31 December 2020.
- (iv) Whether the BOP service contracts meet the criteria in accordance to SFRS(I) 15 *Revenue from Contracts with Customers*, that it is probable that the Group will be able to collect an amount of consideration in exchange of services, for revenue recognised during the financial year.

The Group has taken the necessary actions to resolve the above audit issues during the preparation of the financial statements for FY2021. The Group's trade and other receivables arising from BOP services amounting to S\$7.61 million (RMB 24.67 million) as of 31 December 2021 has been fully impaired upon the recoverability assessment made by the directors and management of the Company on the outstanding BOP service fees. Furthermore, the amount received of S\$20.47 million (RMB 100 million) was reclassified from cash and bank balances to other receivables at the end of the reporting date and the basis of classification and impact of encumbrance have been explained in Notes 17 and 18 to the financial statements. For the detailed explanation on points (i) to (iii), please refer to the Company's discussions on Notes 17 and 18 to the financial statements.

For point (iv), the Group has assessed the recoverability of trade receivables arising from the BOP service revenue earned during the financial year for the year ended 31 December 2021 to determine whether the BOP service revenue could be recognised. Following the assessment, the Group has decided not to recognise the BOP service income earned during the financial year as it does not meet the criteria in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, that it is probable that the Group will be able to collect an amount of consideration in exchange of services, for revenue recognised during the financial year.

(b) Reclassification and Recoverability of Amount Due from Mr Zhang

The Company understands that the Auditors were unable to conclude on the appropriateness of the reclassification of RMB100 million from cash and cash equivalents to other receivables as amount due from Mr Zhang mainly due to the absence of bank statement and bank confirmation for bank balance held in the People's Republic of China ("PRC"). Please refer to Notes and 17 and 18 to the financial statements and the Company's announcement dated 18 May 2022 for the Company's basis of the reclassification.

On the recoverability of amount due from Mr Zhang, please refer to the Company's announcement dated 5 June 2022 (which was subsequently replaced on 6 June 2022) for the update on the matter. In the announcement, we have updated Shareholders that Mr Zhang has informed the Board that he has earmarked certain funds and is expected to transfer (or procure the transfer(s) of) of 100,000,000 Listed Shares to the Company by 15 June 2022 and an additional 100,000,000 to 200,000,000 Listed Shares by the first week of July 2022. To assure the Board of his commitment to resolve the matter, Mr Zhang has agreed to pay to the Company the sum of HKD 1 million by 15 June 2022. Mr Zhang has also agreed that in the event that the aggregate value of all Listed Shares received by the Company and/or any Group Company as at 31 July 2022 is less than RMB100 million, Mr Zhang shall undertake to pay to the Company any shortfall in the amount by way of monthly instalment of S\$1,000,000 for a period of twelve (12) months commencing from the first week of August 2022. Each monthly instalment is to be satisfied (a) in the form of cash payment or (b) transfer(s) of such number of Listed Shares to the Company (with aggregate value at time of transfer being S\$1,000,000) or (c) a combination of (a) and (b) (where value of Listed Shares at time of transfer must be S\$1,000,000 when combined with the cash payment made for that instalment). In the event that the aggregate value of such Listed Shares and monthly instalments received by the Company is insufficient to cover the sum of RMB 100 million, Mr Zhang shall pay

to the Company the outstanding balance together with the final monthly instalment.

As at the date of this report, the Company has not received the sum of HKD 1 million or the 100,000,000 Listed Shares from Mr Zhang. The Board will monitor closely on the receipt of these fund and Listed Shares. The Company will provide an update by this Friday, 8 July 2022, on the next course of action to be taken by the Company if the cash of HKD 1 million and 100,000,000 Listed Shares have not been paid or transferred to the Company by 8 July 2022.

(c) Existence and Quantum of Bank Balance Held in PRC

The recent lockdown in Shanghai due to the fresh outbreak of COVID-19 pandemic which lasted for almost 2 months since early April 2022 has been lifted gradually since early June 2022. On 28 June 2022, the PRC authorities announced some relaxation measures for inbound travellers to the PRC, of which the authorities have slashed quarantine for inbound travellers to 10 days in total instead of 3 weeks. With that, the Company will re-submit application for the invitation letter to the relevant authorities in Shanghai and make arrangement for Mr Pang to travel to Shanghai as soon as possible to attend to all relevant formalities and complete documentation so as to effect his appointment as legal representative and authorised bank signatory of Wish Shanghai.

(d) Impairment Assessment of Property, Plant and Equipment and Intangible Assets

The Group has put in a certain percentage of growth for the Food and Beverages ("F&B") business segment and opening of new outlets in the profit forecast and cash flow projections for the next 5 years following the expected recovery of our F&B business segment in FY2021 due to the relaxation of COVID-19 pandemic controlling measures and opening of borders by the government for the purpose of impairment assessment of property, plant and equipment, intangible assets, investments in subsidiaries and amounts due from subsidiaries.

For the first 5 months of the financial year ending 31 December 2022, our F&B business segment has indeed shown quite a significant positive recovery.

However, the auditors were not comfortable with certain assumptions used in the profit forecast and cash flow projections, such as the growth rate and the implementation of expansion plans in the second half of financial year ending 31 December 2022 and 31 December 2023. The management will perform impairment assessment of these assets again prior to the release of the Company's half year's financial results announcement and as and when there is indication of impairment when we have more months of financial data to support whether the first 5 months of improvement in the performance of the F&B business segment is sustainable and whether we have the required financial resources to implement those expansion plans.

(e) Impairment Assessment of Investments in Subsidiaries and Amounts Due from Subsidiaries

Please refer to the discussion above in 1(d).

(f) Independent Review

The Company understands from the Independent Reviewer that they are in the midst of drafting the report. The first draft of the independent review report is expected to be ready for maxwellisation in August 2022.

(g) **Going Concern Assumption**

The Board noted that the basis of the Disclaimer Opinion by the Auditors on going concern assumptions is due to the uncertainties surrounding the outcome of matters highlighted in paragraphs 3 to 8 of the Auditor's Report which may require further adjustments to the financial statements, therefore the Auditors were unable to conclude on the appropriateness of the going concern assumption used in the preparation of the financial statements.

Notwithstanding that the outcome of the matters highlighted in paragraphs 3 to 8 of the Auditor's Report which may require further adjustments to the financial statements to the extent which could result in the Group's working capital or equity turns into negative balance, 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. ARC has assessed the ability of Mr Pang to fulfil his commitment and concluded that Mr Pang is able to provide the financial support of up to S\$1 million as and when required over a period of 2 years. 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. Please refer to the Company's announcement dated 18 May 2022 and 24 May 2022 for more information on the basis that these financial statements can be prepared on a going concern basis.

To the best of the Board's knowledge, all material disclosures have been announced for the trading of the Company's shares to continue. On this basis, the Board confirms that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner.

2. FURTHER UPDATES

The Company will keep Shareholders updated on any developments and make the appropriate announcements as and when there are any material updates on the above matters.

3. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders of the Company are advised to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors, accountants and other professional advisers.

By Order of the Board

Pang Pok
Chief Executive Officer and Executive Director

4 July 2022

*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 Catalyst.*

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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