

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 2020 AND OTHER UPDATES

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 14 July 2021 (the “**Independent Auditor’s Report**”) issued by the Company’s existing independent auditors (the “**Auditors**”), Baker Tilly TFW LLP, in relation to the audited consolidated financial statements of the Group (the “**Audited Financial Statements**”) for the financial year ended 31 December 2020 (“**FY2020**”).

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 FY2020 (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 FY2020 (“**FY2020 Annual Report**”) which was released by the Company on SGXNET on 14 July 2021. **Shareholders of the Company are advised to read this announcement in conjunction with the FY2020 Annual Report.**

1. BOARD’S COMMENTS ON DISCLAIMER OPINION

The Board notes that the basis of the Disclaimer Opinion by the Auditors was mainly due to the monies and outstanding receivables relating to the Group’s branding, operations and procurement (“**BOP**”) business. As announced on 1 July 2021, the Company had been working towards removing the encumbrance (the “**Relevant Encumbrance**”) on the monies amounting to RMB100 million in the bank account of Wish Health Management (Shanghai) Co. Ltd. (“**Wish Shanghai**”) before the completion of the audit of FY2020. As at the date of the Independent Auditor’s Report, such Relevant Encumbrance had not been removed, leading to the Disclaimer Opinion by the Auditors.

As at the time of release of this announcement, the Board understands that the Company has yet to receive any confirmation on the release and discharge of the Relevant Encumbrance. Shareholders should note that the Group had previously procured and appointed Kaifeng Jufeel Biotechnology Co., Ltd. (“**Kaifeng Jufeel**”) as authorised representative to collect the outstanding service fee from the 14 BOP outlets for and on behalf of Wish Hospitality Holdings Private Limited (“**Wish SG**”), being the Group Company that had entered into the BOP service contracts with the clients. The appointment was to facilitate collection of the Group’s outstanding receivables arising from the BOP services and to secure such collection, the Group had obtained certain securities from Kaifeng Jufeel and Mr Zhang Rongxuan (“**Mr Zhang**”), the Non-Executive and Non-Independent Chairman of the Company. Mr Zhang holds 49% equity interest in Kaifeng Jufeel, with the remaining 51% equity interests held by Henan Jufeel Technology Co., Ltd. (“**Henan Jufeel**”), and Henan Jufeel is in turn 90% owned by Mr. Zhang. Mr. Zhang is also the legal representative of Kaifeng Jufeel.

Shareholders should refer to the Company's announcements dated 2 October 2020, 16 November 2020, 3 January 2021, 26 January 2021, 27 April 2021, 29 April 2021 and 1 July 2021 for further details on the foregoing.

To mitigate (to the extent possible) any potential adverse implications arising from the Relevant Encumbrance, the Company will obtain further guarantees from Kaifeng Jufei and Mr Zhang (the "**Guarantees**"). The Guarantees will essentially provide the following: -

- (a) The guarantors shall guarantee and procure the complete release and discharge of the Relevant Encumbrance over the relevant bank account of Wish Shanghai by such date as may be specified by the Company to enable the outgoing transfer of the outstanding service fee in the sum of RMB100 million (or part thereof) which has been duly received and is currently in such encumbered bank account to the other existing bank account of Wish Shanghai in the PRC where one of the authorised signatories is the Company's Chief Finance Officer.
- (b) If the Relevant Encumbrance is not completely released and discharged by such date specified by the Company, the guarantors shall be liable to pay and guarantee payment to the Company (or any Group Company as elected by the Company) of such outstanding service fee in the sum of RMB100 million which has been duly received and is currently in such encumbered bank account.

The Company is in the process of consulting legal advisers on the preparation of the legal documentation and will update shareholders accordingly. In the meantime, the Company will concurrently monitor the discharge of the Relevant Encumbrance over the foregoing amount of RMB100 million, which is currently in Wish Shanghai's relevant bank account.

2. **INDEPENDENT REVIEW INTO BOP BUSINESS**

In view of the various issues noted since the Group's diversification into the BOP business, notwithstanding the Board's views set out above, the Audit and Risk Committee has instructed for the Company to engage a suitably qualified and experienced independent party (the "**Independent Reviewer**") to carry out an independent review of the Group's BOP business. The Company will update shareholders once the Independent Reviewer has been engaged and the scope of review is confirmed.

3. **UPDATE ON DIVERSIFICATION INTO DISTRIBUTION BUSINESS**

Given the ongoing developments in relation to the existing BOP business of the Group, the Board, in consultation with management, has decided to put the distribution business on hold to take a more conservative and prudent approach in respect of the Group's business expansion plans so that the current financial resources available to the Group may be used / prioritised for the current businesses and to resolve existing issues in connection therewith, where necessary.

Shareholders should note that the Group has not commenced any activities under the foregoing distribution business as this is conditional upon the Company having obtained all relevant approvals from its shareholders including approval from shareholders for the expansion and diversification of the Group's business to include the foregoing distribution business.

Shareholders should refer to the Company's announcements dated 29 January 2021, 8 June 2021 and 14 June 2021 for more information on the foregoing master distribution rights agreement and the distribution business.

4. CHANGE IN AUDITORS

The Company's existing Auditors, Baker Tilly TFW LLP, have expressed their intention not to seek for re-appointment as Auditors of the Company at the forthcoming Annual General Meeting of the Company to be convened on 29 July 2021.

The Board, in consultation with the Audit and Risk Committee, will be taking necessary steps to appoint another firm of auditors to act as the independent auditors of the Company. The Company will seek shareholders' approval for the appointment of the incoming independent auditors of the Company at an Extraordinary General Meeting of the Company to be held in due course.

5. BOARD'S COMMENTS ON GOING CONCERN AND CONTINUED TRADING OF SECURITIES

The Board notes that there was no comment by the Auditors on the going concern of the Company/ Group and the basis of the Disclaimer Opinion is mainly in relation to the revenue recognition and trade and other receivables arising from the Group's BOP business. Notwithstanding the Disclaimer Opinion, the Board is of the view that the Company is able to continue as a going concern based on the Group's current cash flow requirements.

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

6. 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.

7. 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 refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and 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

19 July 2021

*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 statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GS HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of GS Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 92 to 191 which comprise the statements of financial position of the Group and of the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. 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

Revenue recognition and trade and other receivables arising from Branding, Operations and Procurement ("BOP") services

During the financial year, the Group recognised revenue of \$7,373,000 (RMB36,667,000) arising from BOP services. As at 31 December 2020, the Group's trade and other receivables arising from BOP services amounted to \$27,500,000 (RMB135,868,000).

Subsequent to the financial year ended 31 December 2020, the Company announced that certain BOP outlets have in January 2021 and February 2021 recently moved their operations entirely to an online platform. The Company also announced that the Group received an amount of \$20,470,000 (RMB100,000,000) which management represented was for the repayment of the Group's outstanding trade and other receivables arising from BOP services. In the process of confirming with the bank on this receipt, we were made aware that there is an existing encumbrance on the amount of RMB100,000,000.

We are unable to obtain sufficient appropriate audit evidence and supporting documentation to satisfy ourselves or carry out alternative procedures to conclude whether the amount received of \$20,470,000 (RMB100,000,000) represents collections from the Group's customers for the trade and other receivables outstanding at 31 December 2020. We are also unable to satisfy ourselves as to whether there would be any implications arising from the encumbrance on the \$20,470,000 (RMB100,000,000) including any potential recourse to the Group with respect to the receipt. Accordingly, we are unable to conclude whether any allowance for expected credit losses are required for the Group's trade and other receivables arising from BOP services amounted to \$27,500,000 (RMB135,868,000) as at 31 December 2020.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GS HOLDINGS LIMITED

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

We are unable to conclude whether the BOP services 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. We are also unable to satisfy ourselves that certain BOP outlets have only moved their operations entirely to an online platform in 2021 and not during 2020 and that such a move of operations will have no impact to revenue recognised by the Group from the BOP services contracts for the financial year ended 31 December 2020, in view that the Group's revenue recognised from BOP services relates to agreements signed with customers for BOP services provided to customers operating out of physical outlets. Accordingly, we are not able to determine if any adjustments are required to the revenue recognised during the financial year ended 31 December 2020.

Consequently, we are unable to determine whether any adjustments to the accompanying consolidated financial statements might be necessary in respect of these matters.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised 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.

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.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the accompanying financial statements in accordance with Singapore Standards on Auditing and to issue an independent 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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GS HOLDINGS LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether 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.

The engagement partner on the audit resulting in this independent auditor's report is Lee Chee Sum Gilbert.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

14 July 2021