



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

**RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) IN RELATION TO THE ANNUAL GENERAL MEETING TO BE HELD ON
29 JULY 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 notice of annual general meeting (“**AGM**”) released by the Company on 14 July 2021 in relation to the Company’s AGM to be held by electronic means on 29 July 2021 at 2.00 p.m.

The Board would like to provide responses to questions from the Securities Investors Association (Singapore) (“**SIAS**”) ahead of the AGM as follow. The Company did not receive any questions from shareholders as at the deadline stated in the notice of AGM.

1. Question 1

The group transformed itself from an end-to-end cleaning services provider to the F&B business and Branding, Operation and Procurement (BOP) services provider. There are currently 4 F&B establishments which include 2 food courts/food centres, a halal eating house and a famous chicken rice restaurant under the “Sing Swee Kee” brand name.

In the BOP segment, the group provides branding, operation and procurement services to its clients in China, particularly to companies that are in the F&B and health-care industry. The services include (i) branding management, (ii) operational support, (iii) central procurement, (iv) recruitment, customized training and development of human resource.

- (i) **What were the deliberations by management and by the directors on the waiver and reduction of BOP service fees? Were these pre-approved by the board?** The waiver and discount amounts were RMB83.3 million and RMB80.0 million (page 6).
- (ii) **What is the level of oversight by the Singapore-based directors and management on the BOP operations in China?** The company has disclosed that it was not aware of an encumbrance over the amount of RMB100 million received by Wish Shanghai as payment of the outstanding service fee for FY2019 and partial payment of outstanding service fee for FY2020. As at 14 July 2021, the encumbrance has yet to be discharged.
- (iii) **When does the board expect the encumbrance to be discharged?**
- (iv) **For the benefit of new and long-standing shareholders, can the board provide a holistic overview of the BOP business in China, to include but not limited to, the business model (including revenue model), the key management team, its value proposition/technology, current headcount, the number and profile of customers, its geographical reach and the key risks?**
- (v) On 26 March 2020, the group appointed Ms Zhang Liying (“Ms Zhang”) as the group’s authorised representative to collect the outstanding receivables for and on behalf of the group. **Can the board help shareholders understand the current appointment and responsibilities of Ms Zhang, including her role in Wish?**

- (vi) **Has the board, especially the independent directors, communicated with Mr Liu Changsheng who remains the only authorised signatory to the “Relevant Bank Account” in China? What is the formal role of Mr Liu Changsheng in the group? Mr Liu Changsheng resigned as non-executive and non-independent director of the company with effect from 11 February 2021. Mr Liu is deemed interested in 10.08% of the company’s shares.**

Company’s Response

- (i) The waiver and reduction of BOP service fees were pre-approved by the Board based on recommendations from management.

Please refer to the Company’s announcement dated 26 June 2020 for the reasons for granting 5 months of BOP services amounting to RMB83.3 million to the 14 BOP outlets. As stated in the announcement, the waiver was given in view of the closure of the outlets from mid-January to mid-May 2020 due to the outbreak of the COVID-19, and the slow business since the re-opening of the outlets in mid-May 2020. In granting the waiver, the Board has also taken into consideration and with a view towards building a long-term working relationship between Wish and the BOP outlets, and the support and co-operation provided by the BOP outlets in 2019. For similar reasons, the Group further agreed to reduce the BOP service fees by RMB40.0 million in each quarter of the 3rd and 4th quarter of FY2020 as announced by the Company on 2 October 2020 and 22 January 2021 respectively.

- (ii) The day to day running and supervision of the BOP operations are undertaken by Mr Fu Wen Xing, being the Group’s General Manager for the BOP business. He reports to Mr Pang Pok, being the Company’s Chief Executive Officer (“CEO”) and Executive Director, and Mr Zhang, being the Company’s Non-executive and Non-independent Chairman. Mr. Fu, representing the BOP management team, has been attending quarterly Board meetings and other meetings as required by the Board. In each of these meetings, he provided updates on the BOP business and addressed Board’s queries on matters relating to the BOP business.

Please refer to the Company’s announcements dated 13 June 2021 and 17 June 2021 on the matters pertaining to the encumbrance.

- (iii) As announced on 1 July 2021, there has been a delay in the registration of the New Third Party Mortgage as the relevant governmental authorities in the PRC have requested for more documents to be provided. The Company understands that the Third Party and Kaifeng Jufel have provided the requested documentations to the government authorities in PRC, and are pending the government authorities’ approval for the registration of the New Third Party Mortgage, following only will the Relevant Encumbrance be removed.

- (iv) As announced on 29 April 2019 and 18 July 2019, the Group had entered into BOP service agreements with 8 outlets and additional 6 outlets respectively. On 31 March 2021, 8 out of the 14 existing outlets entered into new agreements, Health Management Service Agreement instead of BOP service agreements.

The Board will relook into the BOP business strategy after the independent review on the Group’s BOP business and will update shareholders when decision is made.

- (v) Ms Zhang ceased to become the Group’s authorised representative to collect the outstanding receivables for and on behalf of the Group as set out on announcement

dated 26 January 2021 and she does not hold any roles and responsibilities in Wish other than her 20% minority shareholding in Wish.

- (vi) Mr. Liu Changsheng is currently a director of Wish and its subsidiary, Wish Shanghai. He is also a legal representative of Wish Shanghai, and a consultant to the Group on matters pertaining to the BOP business and development of the Group's businesses in PRC. He reports to both Mr Zhang and Mr Pang Pok, being CEO and Executive Director of the Group. Mr Liu has been attending quarterly Board meetings and other meetings as required by the Board. Together with Mr Fu Wen Xing, who is the Group's General Manager (BOP), they provided updates on the BOP business and addressed Board's queries on matters relating to the BOP business and other business matters in PRC.

The Audit and Risk Management Committee, upon consultation with the management, had recommended to the Board to adopt certain internal control measures in connection with the issue on the authorised signatories in relation to the Relevant Bank Account. Please refer to the Company's announcement dated 17 June 2021 for further detail on such internal control measures.

2. Question 2

In January and June 2021, the company announced the entry into a master distribution rights agreement with Kaifeng Jufeel Biotechnology Co., Ltd. ("Kaifeng Jufeel") to undertake the distribution of some of Kaifeng Jufeel's products in the People's Republic of China, ASEAN countries, and countries in the African continent.

The products include (i) health supplements and other health related products (including health supplements and related products derived from aloe vera plants); (ii) food and beverage products and brands in the PRC and ASEAN region, including ingredients, consumables, concepts and related supplies for distribution to various food & beverage outlets/other distributors; and (iii) such other related products.

- (i) **Can the board help shareholders understand if this is synergistic to the group's current business? If not, what is the company's competitive advantage to go into the distribution business?**
- (ii) **What is the projected return/hurdle rate used in the board approval process?**
- (iii) **What is the amount to be invested in this new business, should shareholders approve the new distribution business?**
- (iv) **Given that this is an interested person transaction, who is leading the company's negotiation with Kaifeng Jufeel?** The company's non-executive and non-independent chairman, Mr. Zhang Rongxuan ("Mr. Zhang"), is the legal representative of Kaifeng Jufeel, and holds a 49% equity interests, with the remaining 51% equity interests held by Henan Jufeel Technology Co., Ltd. which is in turn 90% owned by Mr. Zhang.
- (v) **Has the board critically reviewed the proposed master distribution rights agreement with Kaifeng Jufeel and considered the key man risks? What is the level of commercial and legal due diligence carried out/to be carried out? What safeguards are the independent directors putting in place to protect the interests of minority shareholders?**

Company's Response

As announced on 19 July 2021, the distribution business is currently put on hold. Should the Group subsequently decide to proceed with the distribution business, further information will be provided to shareholders at a separate EGM.

3. Question 3

On 2 January 2020, the company announced the appointment of Mr Zhang Rongxuan as the non-independent non-executive chairman of the company following the cessation of Mr Pang Pok as executive chairman.

As the group had completed the disposal of the dishwashing and cleaning business, Mr Zhang's appointment as chairman was said to facilitate the group's focus on growing the Food & Beverage business and the BOP services business.

The company stated that Mr Zhang had been instrumental in building up the BOP services business in the PRC and the company expects to benefit further from Mr. Zhang's provision of strategic advice and guidance and wishes to continue to tap on his network and connections in procuring additional secured outlets to facilitate the growth of the BOP business.

The shareholdings of Mr Pang and Mr Zhang on the date of the cessation and appointment were 106,079,705 shares (57.34%) and 0 shares. As at 21 June 2021, Mr Pang has total interests of 97,079,705 shares (52.47%).

- (i) **Can the board, especially the nominating committee, help shareholders understand the contributions of Mr Zhang in building up the BOP services business in the past?**
The profile of Mr Zhang only shows his involvement in the Kaifeng Jufee group.
- (ii) **What is the chairman's familiarity with the F&B business in Singapore?**
- (iii) **What is the strategic value of the group's F&B businesses in Singapore in the company's long-term plans? Are there plans to divest the F&B businesses?**
- (iv) **Can the company also provide greater clarity on the relationship (including past and ongoing business dealings) between Mr Zhang and Mr Liu Changsheng and any of the company's substantial shareholders and their associates?**
- (v) **Given that Mr Zhang was involved in arranging the encumbrance on RMB100 million, his failure to inform the board of his involvement (see company's announcement dated 13 June 2021) and the proposed distribution agreement with Kaifeng Jufee (which is now put on hold), would the nominating committee be reviewing the suitability of Mr Zhang as a director and chairman of the company?**
- (vi) **Is the director able to discharge his fiduciary duties given the conflict of interests?**
- (vii) **Was Mr Zhang in breach of his fiduciary duty to disclose his business interests and any potential/actual conflicts of interest when Kaifeng Jufee provided loans to the secured outlets to enable them to make payment of the outstanding service fees to Wish?**

Company's Response

- (i) As announced by the Company on 8 March 2019, Wish entered into a master services agreement with Henan Jufee Technology Co., Ltd. ("**Henan Jufee**") on 8 March 2019, pursuant to which Henan Jufee has agreed to, on a best effort basis, secure at least 200 current and future BOP Service Outlets within 2 years of such agreement, including the 14 Secured Outlets. Henan Jufee is 90% owned by Mr. Zhang.

The Company understands that the Henan Jufee Group currently has about 500 distributors throughout the PRC to distribute its core aloe vera health, cosmetic and beverage related products. Therefore, the Group benefitted from Mr Zhang's extensive business network in the PRC, knowledge of aloe vera health related products (which are core products sold by the 14 Secured Outlets) and general business management skills.

- (ii) The Chairman, Mr Zhang frequently communicates with Mr Pang in enhancing his understanding on Singapore's F&B business. Besides, the chairman with his extensive network and familiarity in China is able to assist the Group to expand the F&B business in China in the near future.
- (iii) There are no plans to divest the F&B businesses currently. For our F&B business segment, we mentioned in the 2020 Annual Report that the Group would continue to pursue expansion plans through the opening of more F&B outlets, development of new F&B brands, concepts and selling of franchise rights locally and overseas. However, the unfortunate and unexpected outbreak of Covid-19 pandemic since early 2020 and its on-going effect till today have significant adverse impact on our businesses as well as the Singapore and global economy. The Group has therefore pushed back most of the expansion plans as mentioned earlier.
- (iv) Please refer to our reply in Question 1(vi). Mr Liu Changsheng is a consultant to the Group on matters pertaining to the BOP business and development of the Group's businesses in PRC. He reports to both Mr Zhang and Mr Pang Pok, being CEO and Executive Director of the Group. As far as the Board aware and confirmed by Mr Zhang, there is no other business relationship between Mr Zhang and Mr Liu and any of the Company's substantial shareholders and their associates other than as disclosed.

- (v), (vi) and (vii)

The Company and the Board are of the view that Mr. Zhang is able to discharge his fiduciary duties as director of the Company, notwithstanding the potential conflict of interests, if any, for the reasons set out below.

Collection of outstanding service fees and / or creation of the encumbrance

The Company wishes to provide a summary of the circumstances surrounding the appointment of Kaifeng Jufee as authorised representative to collect the outstanding service fees and the creation of relevant encumbrance over the RMB100 million as follows (the "**Relevant Encumbrance**"):

- Notwithstanding that Mr. Zhang was not legally or contractually obliged to facilitate or assist with the collection of the outstanding services fees from the relevant BOP outlets, Mr. Zhang had procured Kaifeng Jufee to accept the role as authorised representative to facilitate collection of the outstanding service fees, and also provided personal guarantees, and procured Kaifeng Jufee to provide a mortgage over its secured properties (the "**Mortgaged Property**") and other undertakings in favour of the Group. The Board understands that Mr. Zhang had procured the

foregoing out of his wish to contribute as Chairman of the Company, with the objective of advancing the Company's interests by facilitating the collection of the outstanding receivables.

- The Company understands from Mr Zhang that Kaifeng Jufeel had eventually arranged for the third-party financing as it may be difficult for these BOP outlets to obtain financing from banks directly given their financial status. In view of the impending deadline to collect the outstanding receivables at that time, the Board understands from Mr. Zhang that he had assessed that having Kaifeng Jufeel obtain third party financing was the most effective method to ensure that the outstanding receivables would be collected by Wish Shanghai.
- At the time that such third-party financing was arranged, Mr. Zhang had believed that (i) the discharge of the existing mortgage would take place promptly upon the payment of the RMB100 million into Wish Shanghai's bank account, and the registration of the new mortgage in favour of the Third Party could occur immediately after, and (ii) the discharge and creation of such mortgages were standard administrative processes of Kaifeng Jufeel. 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. Due to the foregoing delays, the Relevant Encumbrance was created.

Please refer to the Company's announcement dated 2 October 2020 on the appointment of Kaifeng Jufeel as authorised representative to collect the outstanding service fee. Please also refer to the Company's announcement dated 13 June 2021 as to how the Relevant Encumbrance arose.

Ultimately, as far as the Board is aware, Mr Zhang's intention was for the outstanding service fees of RMB100 million to be remitted into Wish Shanghai's bank account as soon as practicable. In addition, to the best of the Company's knowledge, Mr Zhang and Kaifeng Jufeel had not derived or retained (and will not derive or retain) any profit arising from the obtaining of the loan from the third party by Kaifeng Jufeel and/or the extension of the loan to the BOP outlets and/or the creation of the Relevant Encumbrance. On the contrary, Kaifeng Jufeel now bears the risk of non-payment by the BOP outlets in relation to the financing from third party and the risk of potential loss of its Mortgage Property.

As such, based on the representations made by Mr Zhang, the Board believes that Mr Zhang had acted honestly and in good faith in the interests of the Company when he procured the arrangement of the third-party loan which inadvertently resulted in the creation of the Relevant Encumbrance.

Master Distribution Agreement

In respect of the Master Distribution Agreement, the conduct of all business activities pursuant to the Master Distribution Agreement as interested persons transactions ("IPT") is subject to approval from independent shareholders pursuant to the IPT general mandate to be obtained at an extraordinary general meeting to be convened in accordance with the Catalist Rules. In addition, there will be safeguards and review procedures in place in connection with the foregoing IPT general mandate. In any event, the Board has decided to put the distribution business plans on hold as announced on 19 July 2021.

In any event, Mr. Zhang had fully disclosed his interests (direct and indirect shareholdings and directorship) in respect of Kaifeng Jufeel in connection with the appointment of

Kaifeng Jufel as authorised representative to collect the Outstanding Service Fees (which in turn led to the encumbrance) and the entry into the Master Distribution Agreement, to the Board and such interests were also disclosed in the relevant announcements to shareholders. Mr. Zhang had also abstained from making any deliberations to the Board/Company in respect of the Group's agreements and or matters in connection with the proposed distribution agreement as well as matters pertaining to appointment of Kaifeng Jufel as the authorised representative to collect the Outstanding Service Fees.

Based on the above, the Board (with Mr Zhang abstaining from deliberation and expressing his views), in consultation with the NC, is of the view that Mr Zhang is able to discharge his fiduciary duties notwithstanding his involvement with the encumbrance, his failure to disclose the encumbrance promptly and the proposed distribution agreement with Kaifeng Jufel.

BY ORDER OF THE BOARD

Pang Pok
Chief Executive Officer and Executive Director

28 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 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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