

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

UPDATE ON BOP SERVICES BUSINESS

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 announcements dated, among others, 8 March 2019, 29 April 2019, 11 July 2019, 18 July 2019, 4 February 2020, 5 February 2020, 26 March 2020, 14 April 2020 and 26 June 2020 (collectively, the “**Announcements**”) in respect of the branding, operation and procurement (“**BOP**”) business of the Company’s subsidiary, Wish Hospitality Holdings Private Limited (“**Wish**”).

Unless otherwise defined herein, all capitalised terms used and not defined herein shall bear the same meanings ascribed to them in the Announcements.

A) Update on Tax Consultations

The Board is pleased to inform the shareholders that as at the date of this announcement, the Company’s appointed tax consultant has reached an agreement with the relevant PRC tax authorities on the amount of tax payable on the Outstanding Service Fee from 3 Secured Outlets, such Outstanding Service Fee amounting to RMB 24 million in aggregate. The taxes for these 3 Secured Outlets will be paid as soon as commercially practicable after China’s golden weekend holiday and by 15 November 2020. The Group will undertake further necessary steps to facilitate and/or remit the BOP Service Fee (less tax) for these 3 Secured Outlets into Wish’s designated bank account. The Group will also continue with the Tax Consultations for the remaining 11 Secured Outlets to determine the requisite tax payable on the respective Outstanding Service Fee from such 11 Secured Outlets, amounting to RMB 96 million in aggregate, and target to complete such Tax Consultations by 31 December 2020. The Company wishes to inform that as the 14 Secured Outlets belong to different tax jurisdictions within PRC, the resolution of the Tax Consultations in relation to each Secured Outlet will occur at differing times.

B) Update on the collection of the Outstanding Service Fee

With reference to the appointment of Ms Zhang to collect the Outstanding Service Fee as announced on 26 March 2020, the Board wishes to update that as at the date of this announcement, the Company understands that Ms. Zhang has yet to collect any of the Outstanding Service Fee in the sum of RMB 120 million from the Secured Outlets. This is mainly because Ms. Zhang, who is currently based in Singapore, has not been able to travel to PRC to complete the necessary administrative procedures with her bank to open a bank account for the collection of the Outstanding Service Fee, due to the travel restrictions arising from the COVID-19 outbreak.

C) Proposed appointment of Kaifeng Jufeel as authorised representative to collect Outstanding Service Fee

In view of the delays and difficulties for the Company / Wish to receive the Outstanding Service Fee, the Company and Wish intend to enter into a deed of appointment and undertaking (“**Deed of Appointment**”) to appoint Kaifeng Jufeel Biotechnology Co., Ltd. (“**Kaifeng Jufeel**”) as authorised representative to collect the Outstanding Service Fee from the 14 Secured Outlets for and on behalf of Wish. The authorisation, when granted, will be valid for a period of 90 days (the “**Authorisation Period**”) from the date of the Performance Guarantee Agreement (as defined below).

Upon receipt of the Outstanding Service Fee, Kaifeng Jufeel shall transfer the Outstanding Service Fee to Wish Health Management (Shanghai) Co. Ltd (“**Wish Shanghai**”), being a wholly-owned subsidiary of Wish, as soon as practicable and prior to the expiry of the Authorisation Period. Please refer to the section entitled “*Rationale for the appointment of Kaifeng Jufeel as authorised representative*” for more information on why Kaifeng Jufeel is able to transfer the Outstanding Service Fee to Wish Shanghai more expeditiously, as compared to the 14 Secured Outlets.

On or after the conclusion of the Tax Consultations, the payment of the applicable taxes in the PRC, and the receipt of the requisite regulatory approvals for the remittance of the Outstanding Service Fee out of PRC by Wish, Wish will then instruct Kaifeng Jufeel or Wish Shanghai (if the BOP monies have already been transferred to Wish Shanghai by Kaifeng Jufeel) to undertake such necessary steps to facilitate and/or remit the remaining Outstanding Service Fee into Wish’s designated bank account in accordance with the laws of the People’s Republic of China.

Information on Kaifeng Jufeel

Kaifeng Jufeel is a PRC-incorporated company, of which its principal activities include aloe-vera planting, manufacturing and sale of aloe-vera related health products. As at the date of this announcement, Mr. Zhang Rongxuan (“**Mr. Zhang**”), who is the Non-Executive and Non-Independent Chairman of the Company, holds 49% equity interest in Kaifeng Jufeel, with the remaining 51% equity interests held by Henan Jufeel Technology Co., Ltd. (“**Henan Jufeel**”). Mr. Zhang is also the legal representative of Kaifeng Jufeel. By way of background, Wish has entered into a master services agreement with Henan Jufeel on 8 March 2019, pursuant to which Henan Jufeel 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 Jufeel is 90% owned by Mr. Zhang.

Rationale for the appointment of Kaifeng Jufeel as authorised representative

The Group has proposed the appointment of Kaifeng Jufeel as its authorised representative for the collection of the Outstanding Service Fee, due to the reasons set out below.

- (i) Kaifeng Jufeel is an established company and operating company in PRC with offices and staff as well as local bank accounts in different provinces in the PRC, and is exempt from certain tax and other regulatory requirements in PRC pertaining to the receipt of money.
- (ii) Kaifeng Jufeel is a subsidiary of Henan Jufeel, which had introduced to, and assisted the Company to secure the 14 Secured Outlets. As such, Kaifeng Jufeel has a good working relationship with the 14 Secured Outlets, which would facilitate the collection of Outstanding Service Fee by Kaifeng Jufeel.

- (iii) The Company understands that as Kaifeng Jufeel has established operations and has paid the relevant corporate taxes to the relevant PRC authorities, Kaifeng Jufeel can receive the Outstanding Service Fee on behalf in its bank account without having to pay further taxes.

On the other hand, as Wish Shanghai is a newly incorporated wholly-foreign owned enterprise (“WFOE”) and has yet to commence its business, it faces capital control restrictions and other restrictions in respect of the operations of its bank account, as stated in the Company’s announcement dated 26 March 2020. As such, the bank may not allow the payment of funds directly from the 14 Secured Outlets into the bank account of Wish Shanghai, without extensive administrative and PRC tax procedures to be completed by the 14 Secured Outlets (as transferors) and Wish Shanghai (as transferee), so as to seek the requisite clearance from the banks and PRC tax authorities. In this regard, once Kaifeng Jufeel has collected the Outstanding Service Fee, Kaifeng Jufeel will assist and co-operate with Wish Shanghai to complete the requisite administrative procedures, including the registration of the transfer from Kaifeng Jufeel to Wish Shanghai as a current account fund transfer and assisting with queries from the PRC tax authorities as and when they inquire on the taxability of the funds. This is to obtain clearance from the banks and PRC tax authorities, for Kaifeng Jufeel to remit the Outstanding Service Fee into the bank account of Wish Shanghai. Wish will concurrently proceed with the Tax Consultations, so as to complete the relevant tax payment and foreign exchange remittance procedures in respect of the Outstanding Service Fee.

The Company believes that the foregoing arrangement enables the Group to recover the Outstanding Service Fee most efficiently in the shortest feasible time, as the Group avoids having to spend more time in coordinating with and waiting for each of the 14 Secured Outlets to process the tax payment procedures and related foreign exchange remittance procedures, before each Secured Outlet can make the relevant payment to Wish. Furthermore, in view of the existing relationship between Kaifeng Jufeel (as a subsidiary of Henan Jufeel and as a company ultimately controlled by Mr. Zhang) and the Group, the foregoing arrangement would also facilitate efficient remittance of the Outstanding Service Fee from Kaifeng Jufeel to Wish Shanghai’s bank account as instructed / appointed by Wish, as opposed to Wish Shanghai having to request and coordinate with all 14 Secured Outlets to complete the relevant administrative procedures.

- (iv) In addition, under the foregoing arrangement, security interests will be granted by Kaifeng Jufeel and Mr. Zhang in favour of Wish Shanghai to secure the obligation of Kaifeng Jufeel to make payment of Outstanding Service Fee, as further set out below. However, under the Existing Arrangement (as defined below), there are no security interests granted by the 14 Secured Outlets in favour of the Group to guarantee the payment of the Outstanding Service Fee. As such, the foregoing arrangement with Kaifeng Jufeel better protects the interest of the Group.
- (v) Mr. Zhang is the ultimate controlling shareholder of Kaifeng Jufeel and is also the Non-Independent and Non-Executive Chairman of the Company. As such, the interests of Kaifeng Jufeel are aligned with that of the Group in respect of the remittance of the Outstanding Service Fee to Wish.

For the avoidance of doubt, neither Kaifeng Jufeel nor Mr. Zhang will receive any fees in respect of the collection and remittance of the Outstanding Service Fee.

Securities to be granted in favour of the Group

To protect its interests, the Company will also obtain / procure various securities, undertakings and commitments granted by Kaifeng Jufeel, Mr. Zhang and Henan Jufeel in favour of the Company, Wish and / or Wish Shanghai, where necessary, to secure the obligations of Kaifeng Jufeel in respect of the payment of the Outstanding Service Fee to Wish Shanghai. Such securities / undertakings, collectively, are intended to cover the entire amount of the Outstanding Service Fee. Further details on such securities / undertakings to be provided by the relevant parties are set out below (collectively and together with the Deed of Appointment, the “**Definitive Documents**”).

Provided By	Description
Kaifeng Jufeel	A performance guarantee agreement (“ Performance Guarantee Agreement ”) governed by PRC laws to be entered into between Kaifeng Jufeel and Wish Shanghai. Pursuant to the Performance Guarantee Agreement, Kaifeng Jufeel confirms that it is authorised to collect the Outstanding Service Fee, and undertakes to pay RMB 120 million, being the amount of the Outstanding Service Fee, to Wish Shanghai within the Authorisation Period.
Kaifeng Jufeel	<p>A mortgage over the land and factory buildings (the “Mortgaged Properties”) in Kaifeng City, Henan, PRC held by Kaifeng Jufeel, in favour of Wish Shanghai (the “Mortgage”), which is governed by PRC laws. Pursuant to the foregoing mortgage agreement, Wish Shanghai shall be entitled to enforce the Mortgage and dispose of the Mortgage Properties to recover the Outstanding Service Fee and enforcement costs incurred in their entirety in the event that Kaifeng Jufeel fails to perform its obligations pursuant to the Performance Guarantee Agreement.</p> <p>Once the Mortgage has been signed, Wish Shanghai is required to register the Mortgage with the relevant PRC regulatory authority, to ensure that the Mortgage will be valid and enforceable.</p>
Kaifeng Jufeel, Mr. Zhang (as shareholder and legal representative of Kaifeng Jufeel), and Henan Jufeel (as shareholder of Kaifeng Jufeel)	Commitment letters governed by PRC laws to be executed by each of Kaifeng Jufeel, Henan Jufeel, and Mr. Zhang in favour of Wish Shanghai, to ensure the fulfilment of obligations of Kaifeng Jufeel under the Performance Guarantee Agreement, and to unconditionally assist with the enforcement of the Mortgage in the event the Kaifeng Jufeel fails to fulfil its obligation under the Performance Guarantee Agreement.
Kaifeng Jufeel	Deed of trust governed by Singapore law to be executed by Kaifeng Jufeel in favour of Wish, as beneficiary, to confirm that all Outstanding Service Fee collected by Kaifeng Jufeel are held on trust for and on behalf of Wish.
Mr. Zhang	Personal guarantee governed by Singapore law to be executed by Mr. Zhang in favour of the Company to secure and guarantee the obligations of Kaifeng Jufeel, Henan Jufeel and himself owing to the relevant Group Company under the relevant foregoing agreements.

For the avoidance of doubt, Kaifeng Jufeel will not undertake any collection of the Outstanding Service Fee prior to its appointment as authorised representative or its, Henan Jufeel or Mr. Zhang's execution of the abovementioned documents and the successful registration of the Mortgage in favour of Wish Shanghai.

The Company has sought relevant advice from its appointed PRC and Singapore legal counsels (as the case may be) that the Definitive Documents governed by PRC laws and Singapore laws will be valid and enforceable under, and does not contravene, the relevant laws and regulations of PRC and Singapore, respectively.

Termination of Arrangement with Ms. Zhang

Once the Definitive Documents have been entered into and the Mortgage has been successfully registered with the relevant PRC regulatory authority, the Company and Wish intend to terminate the existing arrangements in connection with the appointment of Ms. Zhang as authorised representative to collect the Outstanding Service Fee on behalf of Wish, including, among others, the documents pertaining to such authorisation and the existing securities procured / provided by Ms. Zhang (the "**Existing Arrangement**").

Guarantees Provided by Directors

With reference to the Guarantees provided by certain directors as announced on 26 March 2020 and 14 April 2020, in view of the impending execution of the Definitive Documents and the registration of the Mortgage, the Company has also agreed with Mr. Zhang and Mr. Pang Pok on the amendment of personal guarantees furnished by them in connection with the Existing Arrangement. Under the foregoing amendment, each of Mr. Zhang and Mr. Pang guarantees (i) the transfer to the Company/Wish of the Outstanding Service Fee collected by Ms Zhang, and (ii) the collection by Ms Zhang of the entire Outstanding Service Fee by 15 November 2020, instead of the previous deadline of 15 October 2020. The personal guarantee granted by Mr. Liu Changsheng to secure the transfer to the Company / Wish of the Outstanding Service Fee collected by Ms Zhang also remains effective until the termination of the Existing Arrangements.

The Company wishes to highlight that, under the Existing Arrangement, the relevant personal guarantees provided by Mr. Zhang and Mr. Pang only secure Ms. Zhang's collection and transfer of Outstanding Service Fee. In contrast, based on the securities to be provided by Kaifeng Jufeel and Mr. Zhang under the current arrangement as set out in the Definitive Documents, Kaifeng Jufeel and Mr. Zhang have assumed the obligation of underwriting the collection of the Outstanding Service Fee of RMB 120 million, regardless of whether the Outstanding Service Fee had been collected by Kaifeng Jufeel from the 14 Secured Outlets. Mr. Zhang has procured the foregoing securities to be provided by himself, Henan Jufeel and Kaifeng Jufeel, as he believes, in his capacity as Non-Independent and Non-Executive Chairman of the Company, that this would best protect the Company's interests. In addition, as Mr. Zhang is the 90% owner of Henan Jufeel, being the entity that procured the entry by Wish into the BOP Services Agreement with the 14 Secured Outlets, Mr. Zhang believes that it is fair for him, Henan Jufeel and Kaifeng Jufeel to assume responsibility for the payment of the Outstanding Service Fee due from the 14 Secured Outlets to the Company.

Audit and Risk Committee's Views

The Audit and Risk Committee of the Company is of the view that the foregoing arrangement is in the best interests of the Company, taking into consideration:

- (i) the rationale for the appointment of Kaifeng Jufeel as set out above; and

(ii) the securities and undertakings to be provided under the Definitive Documents as mentioned above.

The Audit and Risk Committee is also of the view that the securities and undertakings to be provided under the Definitive Documents will provide adequate safeguards in respect of the Group's interests in the collection of the Outstanding Service Fee.

D) Update on BOP services business and granting of Service Fee Reduction

As set out in the Company's announcement dated 26 June 2020, some of the Secured Outlets have resumed business since mid-May. The business of the Secured Outlets has been slow in the first few weeks since the resumption of the business. The Secured Outlets had therefore requested for a waiver of the Service Fees, on the basis that the Secured Outlets were closed from mid-January to mid-May and the slow business since the re-opening of the Secured Outlets in mid-May.

Notwithstanding the foregoing, the business of the Secured Outlets remained slow in the months of July to September 2020. The Secured Outlets have therefore requested for a reduction of the Service Fees for the months of July to September 2020 on the basis that they experienced slow business since the re-opening of the Secured Outlets in mid-May as a result of the negative impact from COVID-19. In view of the business conditions faced by the Secured Outlets, the Board has decided to grant such Secured Outlets reduction in the Service Fee of RMB 40 million (from an aggregate RMB 50 million to RMB 10 million) for the months of July to September 2020 (collectively, the "**Reduction**"), taking into consideration the respective Secured Outlets' performance for the months of July to September 2020, and with a view towards building a long term working relationship between Wish and the Secured Outlets. After the Reduction, the Service Fees currently due and payable to Wish is RMB 26,666,667 as at date of this announcement, in addition to the Outstanding Service Fee of RMB 120 million due to Wish as at 31 December 2019. The Reduction is expected to have a substantial impact on the Group's revenue and earnings for the second half of FY2020.

Subject to any unforeseen circumstances not within the control of the Group, the Group expects to enter into further BOP Service Agreements with additional BOP outlets in the last quarter of FY2020. Accordingly, the Group believes the additional revenue from the new BOP Service Agreements may cushion the financial impact that the Group may suffer in the first half and second half of FY2020 as a result of the Waivers and Reduction.

Future Updates and Cautionary Statement

The Company will provide an update as soon as the Company, Wish, Wish Shanghai, Kaifeng Jufee, and Mr. Zhang have entered into the Definitive Documents, and when the Mortgage has been registered. The Company will also provide an update when the remaining Outstanding Service Fee has been fully or partially received by Wish Shanghai. As set out in the Company's announcement dated 29 April 2019, the Company will continue to provide updates as and when (i) the Service Fee payable pertaining to new BOP Services Agreement(s) entered into by Wish, on an accumulated basis, is RMB 30,000,000 or more, or (ii) material developments such as litigation or termination/dissolution of the Company's joint venture in respect of Wish occurs. 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 of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

By Order of the Board

Pang Pok
Chief Executive Officer and Executive Director

2 October 2020

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

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