

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

UPDATE ON DISCHARGE OF RELEVANT ENCUMBRANCE

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 Company’s announcements dated:

- (i) 13 June 2021 in respect of, among others, the existing encumbrance on the outstanding services fees of RMB 100 million received by Wish Health Management (Shanghai) Co. Ltd. (the “**13 June 2021 Announcement**”) and the announcement dated 17 June 2021 in response to certain queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in respect of the 13 June 2021 Announcement;
- (ii) 1 July 2021 in respect of the status of registration of the New Third Party Mortgage and removal of the Relevant Encumbrance;
- (iii) 19 July 2021 in relation to obtaining further guarantees from Kaifeng Jufel Biotechnology Co., Ltd. (“**Kaifeng Jufel**”) and Mr Zhang Rongxuan (“**Mr Zhang**”);
- (iv) 18 August 2021 relating to the guarantee agreements (the “**Guarantees**”) signed by Kaifeng Jufel and Mr Zhang (collectively, the “**Guarantors**”) in favour of Wish Hospitality Holdings Private Limited (“**Wish**”); and
- (v) 30 September 2021 relating to the extension of the deadline for the discharge of the Relevant Encumbrance,

(collectively, the “**Announcements**”).

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

1. UPDATE ON DISCHARGE OF RELEVANT ENCUMBRANCE

- 1.1 On 30 September 2021, the Company announced that the deadline for the Guarantors to procure the release and discharge of the Relevant Encumbrance was extended from 30 September 2021 to 31 October 2021. The Company has since received an update from Mr Zhang that he is still unable to procure the release and discharge of the Relevant Encumbrance by the extended deadline. Mr Zhang explained that the current property and lending climate have been significantly impacted by the current China Evergrande’s crisis, causing borrowers to face more difficulties in using properties as a pledge to secure financing as lenders have tightened their requirements. This has also in turn affected his ability to provide sufficient collateral in order to satisfy the Third Party lender for the purpose of releasing the Relevant Encumbrance. Shareholders should note that the RMB 100 million (being service fees payable by the relevant BOP Secured Outlets) was already received and collected in Wish Shanghai’s PRC bank account but is subjected to the Relevant Encumbrance as Kaifeng Jufel had previously secured a loan from a Third Party lender and in turn extended the loan proceeds to the relevant BOP Secured Outlets to facilitate payment of such RMB 100 million to Wish Shanghai.

- 1.2 The Company, in consultation with the Audit and Risk Committee, has sought legal advice on amongst others, the rights of the Company and/or Wish in respect of the Guarantees, and/or appropriate legal recourse, which may be taken by the Company (or any of the relevant Group Company).
- 1.3 Mr Zhang has informed the Company of the additional steps he intends to take to resolve the matter due to the extended delay in procuring the release and discharge of the Relevant Encumbrance. These additional steps are further detailed below:-
- (a) Mr Zhang is currently in discussions with a certain financial institution to enter into relevant arrangements and agreement (the “**Agreement**”) in connection with amongst others, the sale of such number of shares (with an aggregate market value of RMB 100 million as at the date of this announcement) in the issued share capital of a company listed on the Hong Kong Stock Exchange (the “**Listed Shares**”). Subject to the terms of the Agreement to be entered into by the relevant parties, Mr Zhang will procure that the proceeds from the sale of the Listed Shares shall be transferred to the bank account of the Company (or such other Group Company as may be identified by the Company).
 - (b) If the proceeds from such sale of the Listed Shares is insufficient to cover the sum of RMB 100 million in service fees payable by the relevant BOP Secured Outlets, Mr Zhang shall guarantee to pay the outstanding balance pursuant to a new personal guarantee to be provided by Mr Zhang in favour of Wish.
 - (c) If the Company and/or other Group Company receives RMB 100 million in full from the sale of the Listed Shares, the Company will work with Kaifeng Jufel to procure the return of the RMB 100 million (subject to the Relevant Encumbrance) received by Wish Shanghai to the Third Party which Kaifeng Jufel had previously secured the loan from.
- 1.4 The Board understands from Mr Zhang that based on the status of the aforesaid discussions as at the date of this announcement, Mr Zhang expects the relevant parties to enter into the Agreement by 15 November 2021. Mr Zhang has also informed the Board that he expects the sale of the Listed Shares to be completed within 5 months from the date of this announcement. The Board (save for Mr Zhang) is of the view that the foregoing 5-month period is a reasonable time frame to facilitate the sale of the Listed Shares given that the Listed Shares of RMB 100 million is quite substantial in value and any sale of shares of such value will need to be executed in an organised manner.
- 1.5 The Board understands that Mr Zhang will, in the meantime, still try to procure the release and discharge of the Relevant Encumbrance. The alternative arrangement detailed above is intended as another option to expedite the resolution of this matter.
- 1.6 Based on the PRC legal opinion, even in the absence of any resistance from Mr Zhang and/or Kaifeng Jufel, enforcement of the Guarantees will not be a straightforward process of simply obtaining judgment but will require the Company to initiate a civil claim action against Mr Zhang and/or Kaifeng Jufel which is likely to take time (of up to 1 year) to conclude. Given the time period required and the legal fees involved in engaging PRC lawyers to represent and successfully finish the civil suit, it is likely that the enforcement process will be more expensive than the process of selling the Listed Shares. Having considered the legal advice rendered by PRC counsel and the proposal in respect of the sale of the Listed Shares, the Board (save for Mr Zhang) is of the view that proceeding with the sale of the Listed Shares will be more beneficial than enforcement of the Guarantees

against the Guarantors to recover the aforesaid RMB 100 million for the Company and its shareholders as it is likely to be faster and less costly.

2. BOARD'S VIEW ON FINANCIAL IMPACT, GOING CONCERN AND FURTHER UPDATES

Based on the alternative arrangement, the Company is of the view that there is no financial impact to the Group from the above updates and no provision is required at this stage. Having considered the Group's other ongoing business operations and the cash balances and credit facilities available to the Group, the Board is of the view that the delayed removal of the Relevant Encumbrance does not affect its opinion on the Group's operations and its ability to continue as a going concern.

The Company will keep Shareholders updated as and when the Agreement is entered into by relevant parties or on any developments as and when there are any material updates on this matter.

3. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully 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 and other professional advisers.

By Order of the Board

Pang Pok
Chief Executive Officer and Executive Director

2 November 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.

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