MARY CHIA HOLDINGS LIMITED
Company Registration No. 200907634N
(Incorporated in the Republic of Singapore)

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Board of Directors (the "**Board**") of Mary Chia Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's Independent Auditors, Messrs Foo Koh Tan LLP (the "**Auditor**"), have included a disclaimer of opinion (the "**Disclaimer of Opinion**") in their Independent Auditor's Report dated 12 July 2024 (the "**Independent Auditor's Report**") in relation to the consolidated financial statements of the Group and the Statement of Financial Position of the Company for the financial year ended 31 March 2024 ("**FY2024**") (the "**Financial Statements**").

The bases for the Disclaimer of Opinion together with the relevant extract, are attached to this announcement for information.

Pursuant to paragraph 3A of Appendix 7C of the Catalist Rules, the Board wishes to respond to the key bases for the disclaimer of opinion and the efforts being taken to resolve each outstanding audit issue, as the case may be:

1. Opening Balances and Comparative Information

Auditor's Disclaimer Opinion

"We had issued a disclaimer of opinion on the financial statements for the financial year ended 31 March 2023 ("FY2023") on 13 July 2023 in respect of opening balances and comparative information; impairment of non-financial assets; subsidiaries; joint ventures; inventories and purchases; consideration receivable; bank deposits; other payables; revenue and contract liabilities; staff costs; related party balances and transactions; income taxes; and going concern.

In view of the matters above, we are unable to determine whether the opening balances of assets and liabilities of the Group and the Company as at 1 April 2023 are appropriately stated. Accordingly, any adjustments found to be necessary may significantly affect the Group's financial performance, changes in equity and cash flows for the financial year ended 31 March 2024 ("FY2024"), the closing balances of assets and liabilities of the Group and the Company as at 31 March 2024, and the related disclosures in the notes to the financial statements for FY2024. In addition, there is a possible effect of these matters on the comparability of the current year's figures and the corresponding figures."

Efforts taken by the Company to resolve the issue:

The Board seeks to underscore the considerable intricacies faced by both the Auditor and their predecessor in validating whether the opening balances of the assets and liabilities of the Group and the Company as at 1 April 2021 and 1 April 2022 are appropriately stated. These challenges stemmed from the substantial personnel turnover within the organisation, particularly the abrupt departure of key finance team members possessing historical financial information. Regrettably, the transfer of crucial knowledge to the emerging finance team was insufficient, resulting in announcements regarding extensions for unaudited financial results and the postponement of the Annual General Meeting during 2021/2022.

In an endeavour to stabilise and fortify the finance team, the Group hired new finance team members from September 2022 onwards, including the appointment of a new Group Chief Financial Officer in December 2022 and a finance manager in May 2023, prompted by the prior manager's resignation during a pivotal phase of the audit due to health-related concerns.

Additionally, the Board wishes to highlight that despite the new finance team offering full cooperation to the Auditor during the audit process, the team required more time to respond to the Auditor's requests. This was due to a lack of knowledge transfer regarding historical transactions and information, compounded by the Auditor's elevated audit procedures and documentation verification. The elevated audit procedures were a direct consequence of the matters mentioned above in relation to past financial periods, including the Group's FY2021 extension of time and the FY2022 disclaimer of opinion.

2. Impairment of Non-Financial Assets

Auditor's Disclaimer Opinion

"In view of the losses incurred by the Group for FY2024, management has assessed that there are indications of impairment of the Group's plant and equipment and right-of-use assets. Accordingly, the assets are tested for impairment. As at 31 March 2024, the Group's non-financial assets, other than inventories, comprise plant and equipment and right-of-use assets with carrying amounts of S$733,000 and S$1,071,000, respectively. We have been unable to obtain (i) sufficient supporting documents and information relating to the judgements, assumptions and estimates used by management in estimating the value in use, to assess the appropriateness of the basis for the judgements, assumptions and estimates; or (ii) valuation reports from independent professional valuers to assess the fair value less costs of disposal in determining the recoverable amounts of these assets or cash-generating units for which indications of impairment have been identified.

Consequently, we are unable to ascertain whether there are any impairment losses on the Group's plant and equipment and right-of-use assets to be recognised in the Group's profit or loss for FY2024, and to satisfy ourselves as to the appropriateness of the carrying amounts of the Group's plant and equipment and right-of-use assets as at 31 March 2024."

Efforts taken by the Company to resolve the issue:

The Board underscores that the challenges faced by the Auditor, as mentioned above, primarily stem from the carrying amount and opening balances as at April 1, 2022.

In this connection, the Group has taken steps to assess previous historical periods' financial information relating to plant and equipment and right-of-use assets that are still recorded. However, due to the lack of information and knowledge transferred from the predecessor finance team and personnel, the Group's current finance team endeavoured to the fullest extent possible to identify and estimate the value-in-use of these assets or to impair them or the related cash-generating units.

Moving forward, the Group will continue to review the carrying amounts of its non-financial assets at each reporting date to assess for any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. Joint Ventures

Auditor's Disclaimer Opinion

"Under Singapore Financial Reporting Standard (International) ("SFRS(I)") 1-28 Investments in Associates and Joint Ventures, a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Under the equity method, the investment in a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. An entity shall discontinue the use of the equity method from the date when its investment ceases to be a joint venture.

As disclosed in Note 7 to the financial statements, the Group's joint ventures accounted for under the equity method are in the process of winding-up. Notwithstanding that the joint ventures have been fully impaired by management as at 31 March 2024, the equity method ceases when the Group no longer retains joint control of the entities. We have also been unable to gain access to the accounting records or obtain the relevant supporting documents and information to ascertain the underlying assets and liabilities and transactions of the joint ventures during FY2024 and up to the date of loss of joint control. Consequently, we are unable to satisfy ourselves as to the appropriateness of the share of results of the joint ventures and impairment losses on the joint ventures and the related disclosures in the notes to the financial statements for FY2024. In addition, we have also been unable to ascertain the appropriateness of presentation and disclosures relating to discontinued operations."

Efforts taken by the Company to resolve the issue:

The Board wishes to highlight that the aforementioned concerns pertain to the joint venture companies (collectively known as "**JVC**" or "**Monsoon Hairdressing Group of Companies**") equally held between Vintage Studio Pte Ltd and M2 Group Pte. Ltd., a wholly-owned subsidiary of the Company. Due to the JVC's persistent inability to meet its financial obligations in a timely manner, the Group has opted to refrain from further capital allocation in line with its commitment to safeguard its financial stability and allocate resources judiciously. As a result of this situation, burdened by their liabilities, the JVC is unable to sustain business operations; therefore, the sole director has decided to initiate provisional liquidation proceedings pending their eventual liquidation.

Subsequently, on 5 April 2024, the Court granted an order of winding up applications and the Liquidators were appointed. The Group intends to provide further updates and announcements to shareholders as necessary in light of any material developments.

4. Inventories and Purchases

Auditor's Disclaimer Opinion

"Inventories as at 31 March 2024 as disclosed in Note 8 to the financial statements amounted to S$37,000. We have been unable to obtain the listing of inventories by quantities and amounts and reconciliation workings which agree to the general ledger as at 31 March 2024. We have also been unable to obtain the relevant supporting documents, such as supplier invoices, to ascertain the accuracy of the cost of inventories, and sales invoices for the sale of inventories or rendering of services, to ascertain the net realisable value of inventories as at 31 March 2024. In addition, we have been unable to obtain the listing of purchases subsequent to the end of the reporting period and the relevant supporting documents, such as delivery orders, to ascertain that purchases of inventories have been recorded in the correct reporting period. Under SFRS(I) 1-2 Inventories, inventories shall be measured at the lower of cost and net realisable value. Consequently, we are unable to satisfy ourselves as to the appropriateness of the carrying amount of the Group's inventories as at 31 March 2024. In the absence of sufficient appropriate audit evidence, we are also unable to ascertain the appropriateness of purchases and write-offs recognised in profit or loss and any further write-down on inventories to be recognised in profit or loss for FY2024."

Efforts taken by the Company to resolve the issue:

The Board wishes to highlight that the Group measures inventories at the lower of cost and net realisable value. The Board also underscores that the challenges faced by the Auditor, as mentioned above, primarily stem from the carrying amount and opening balances as at April 1, 2022.

In this connection, the Group has taken steps to assess past periods' historical financial information on inventories that are still recorded. However, due to the lack of information and knowledge transferred from the predecessor finance team and personnel, the Group's current finance team endeavoured to the fullest extent possible to record write-downs for inventories of components and products that have become obsolete or are in excess of anticipated demand or net realisable value.

Moving forward, management will thoroughly assess inventories at the end of each reporting period to establish an allowance for excess and obsolete inventories. This assessment will involve evaluating and reviewing historical sales, current economic and technological trends, forecasted sales, demand requirements, product life cycle, quality issues and current inventory levels. The finance team and key management have and will prioritise procedures and implement digital inventory systems and/or workflows for costing, stock-taking, and movements on a monthly and quarterly basis.

5. <u>Trade Receivables</u>

<u>Auditor's Disclaimer Opinion</u>

"Included in trade and other receivables as at 31 March 2024 as disclosed in Note 9 to the financial statements are trade receivables of S$501,000, less allowance for impairment losses of S$60,000. We have been unable to obtain the listing of trade receivables by customers and reconciliation workings which agree to the general ledger as at 31 March 2024. We have also been unable to obtain the relevant supporting documents, such as sales invoices and delivery orders, to ascertain the existence, completeness and accuracy of trade receivables as at 31 March 2024. In addition, we have been unable to obtain sufficient appropriate audit evidence, such as details of subsequent collections and historical loss rates adjusted with forward-looking information, to ascertain the recoverability of and expected credit losses on trade receivables. Consequently, we are unable to satisfy ourselves as to the appropriateness of the carrying amount of the Group's trade receivables as at 31 March 2024 and the related disclosures in the notes to the financial statements for FY2024."

<u>Efforts taken by the Company to resolve the issue:</u>

The Board underscores that the challenges faced by the Auditor, as mentioned above, primarily stem from the carrying amount and opening balances as at April 1, 2022.

The Board also wishes to emphasise that while the new finance team provided full cooperation to the Auditor during the audit process, they faced challenges due to their limited runway and background knowledge of the historical financial information needed for the opening balance as of 1 April 2022. This situation also impacts the assessment of trade and other receivables as of 31 March 2024.

The Group has taken steps to assess the historical periods' financial information related to trade and other receivables that are still recorded. However, due to the lack of information and knowledge transferred from the predecessor finance team and personnel, the Group's current finance team endeavoured to the fullest extent possible to identify and potentially impair these trade and other receivables.

6. <u>Bank Balances and Borrowings</u>

<u>Auditor's Disclaimer Opinion</u>

"Included in cash and bank balances as at 31 March 2024 as disclosed in Note 10 to the financial statements are bank balances of S$88,000 held by certain subsidiaries of the Company, while included in borrowings as at 31 March 2024 as disclosed in Note 14 to the financial statements are loans from financial institutions of S$1,557,000 obtained by the Company and a subsidiary. We have been unable to obtain confirmation replies from the banks or financial institutions in respect of these bank balances and borrowings. Consequently, we are unable to satisfy ourselves as to the appropriateness of the carrying amounts of these bank balances and borrowings, whether there exists any restrictions on bank balances or assets held as security, guarantees, commitments and contingencies, and the completeness of bank accounts, loans and other banking facilities held by the Group as at 31 March 2024."

Efforts taken by the Company to resolve the issue:

The Board wishes to highlight that management has provided the confirmation request to the Auditor for their submission to the bank. In the meantime, management has given full assistance by contacting the corporate bank Relationship Manager to assist and expedite the process from the Credit Office. The management understands that the bank process will take 12 to 14 days and is confident that the auditors will receive the required outstanding bank confirmation.

7. Trade and Other Payables

Auditor's Disclaimer Opinion

"Included in trade and other payables of the Group as at 31 March 2024 as disclosed in Note 16 to the financial statements are trade payables, accrued expenses and other payables of S$1,143,000, S$2,956,000 and S$1,188,000, respectively. We have been unable to obtain the listing of trade payables by suppliers and reconciliation workings which agree to the general ledger as at 31 March 2024. We have also been unable to obtain the relevant supporting documents, such as supplier invoices and delivery orders, to ascertain the existence, completeness and accuracy of trade payables as at 31 March 2024. In addition, we have been unable to obtain the breakdown of items and balances of accrued expenses and other payables, and the relevant supporting documents, such as confirmations, contractual agreements and invoices, to ascertain the existence, completeness and accuracy of accrued expenses and other payables as at 31 March 2024. Consequently, we are unable to satisfy ourselves as to the appropriateness of the carrying amount of the Group's trade and other payables as at 31 March 2024 and the related disclosures in the notes to the financial statements for FY2024."

Efforts taken by the Company to resolve the issue:

The finance team and key management have already taken proactive steps to prioritise and implement measures aimed at strengthening the documentation process. These measures include enhancing digital document retention for payable invoices, procedures, and workflows on a monthly and quarterly basis.

8. Revenue and Contract Liabilities

Auditor's Disclaimer Opinion

"Revenue in the consolidated statement of profit or loss and other comprehensive income for FY2024 is S$6,250,000. Contract liabilities as at 31 March 2024 as disclosed in Note 17 to the financial statements amounted to S$2,243,000. As disclosed in Note 18 to the financial statements, the Group's revenue from the sale of beauty and wellness products amounted to S$1,203,000 for FY2024. We have been unable to obtain the relevant supporting documents and information, such as sales invoices which agree to the amounts recognised and are acknowledged by customers upon receipt and acceptance of products, to ascertain the appropriateness of the revenue and its cut-off for FY2024. In respect of the Group's revenue from the rendering of beauty, slimming and spa services amounting to S$5,047,000 for FY2024, we have been unable to obtain the relevant supporting documents and information, including the listings and reconciliation workings of revenue and contract liabilities by customers.

In view of the above, we are unable to satisfy ourselves as to the appropriateness of the Group's revenue for FY2024 and the carrying amount of the Group's contract liabilities as at 31 March 2024, and the related disclosures in the notes to the financial statements for FY2024."

Efforts taken by the Company to resolve the issue:

Sale of products
The Group sells beauty, wellness and haircare products directly to customers. Revenue from the sale of products is recognised at a point in time when the products are delivered to the customer, all criteria for acceptance have been satisfied, and the customer obtains control of the products,

including the legal title to the goods and the significant risks and rewards of ownership of the products.

Beauty, slimming and spa service treatments and hairdressing treatments
Revenue from beauty, slimming, spa service treatments, and hairdressing treatments are recognised when services are rendered. Billed amounts for services not rendered at the end of the reporting period are recognised as advance consideration and included in contract liabilities.

The finance team and key management have already placed significant focus on enhancing the sales documentation process. They have implemented digital document retention for sales invoices and other transactional records, like treatment cards, to showcase occurrences, procedures, and workflows, following a monthly and quarterly schedule.

9. Staff Costs and Other Operating Expenses

Auditor's Disclaimer Opinion

"Included in staff costs in the consolidated statement of profit or loss and other comprehensive income for FY2024 as disclosed in Note 20 to the financial statements are commission expenses of S$962,000. Other operating expenses for FY2024 as disclosed in Note 21 to the financial statements amounted to S$4,789,000. We have been unable to obtain sufficient appropriate audit evidence, including the breakdown of sales commissions by employees and amounts which agree to the general ledger and the supporting computational workings and records, to ascertain the occurrence, completeness, accuracy and classification of commission expenses. In addition, we have been unable to obtain the breakdown of items and amounts of other operating expenses which agree to the general ledger, and the relevant supporting documents, such as contractual agreements and invoices, to ascertain the occurrence, completeness, accuracy and classification of other operating expenses. Consequently, we are unable to satisfy ourselves in respect of the appropriateness of staff costs and other operating expenses and the related disclosures in the notes to the financial statements for FY2024."

Efforts taken by the Company to resolve the issue:

The current finance team and key management have already made a significant effort to fortify the digital documentation of commission expenses. This aims to illustrate the occurrences, procedures, and workflow on a monthly and quarterly basis.

10. Related Party Balances and Transactions

"Included in trade and other receivables as at 31 March 2024 as disclosed in Note 9 to the financial statements are the Company's non-trade amounts due from subsidiaries of S$37,406,000, less allowance for impairment losses of S$25,515,000, and the Group's non-trade amounts due from related companies of S$7,000. Included in trade and other payables as at 31 March 2024 as disclosed in Note 16 to the financial statements are the Company's non-trade amounts due to subsidiaries of S$15,528,000, and the Group's non-trade amounts due to related companies of S$568,000.

We have been unable to obtain the listing of balances and transactions which reconcile to the accounts of the respective group entities and related companies. In addition, we have been unable to obtain sufficient information to assess the impairment of the Company's non-trade amounts due from subsidiaries and the Group's non-trade amounts due from related companies. Consequently, we are unable to satisfy ourselves as to the appropriateness of the carrying amounts of the Company's non-trade amounts due from subsidiaries, the Group's non-trade amounts due from related companies, the Company's non-trade amounts due to subsidiaries and the Group's non-trade amounts due to related companies as at 31 March 2024. We are also unable to determine if there are any adjustments or disclosures required in respect of the financial statements of the Group and the Company for FY2024."

Efforts taken by the Company to resolve the issue:

The Board underscores that the challenges faced by the Auditor, as mentioned above, primarily stem from the carrying amount and opening balances as at April 1, 2022.

The finance team and key management have already made a significant push to implement and strengthen digital documentation for related party transactions. This effort is aimed at illustrating the occurrences, procedures, and workflow on a monthly and quarterly basis.

11. Income taxes

Auditor's Disclaimer Opinion

"Certain matters described in the preceding paragraphs have tax implications which have not been assessed by management. Should any adjustments be found necessary, the Group's income taxes may have to be adjusted accordingly."

Efforts taken by the Company to resolve the issue:

The Board emphasises the Group's recognition of the significance of adhering to tax laws and regulations while upholding transparency in financial reporting. We take the implications of tax matters seriously and are dedicated to addressing any necessary adjustments. Should our review mandate adjustments, we are committed to promptly revising our financial statements or relevant documents. These changes will accurately depict revised or corrected information, ensuring our income taxes are adjusted correctly. Timely and precise tax reporting is a priority, and we are committed to managing any adjustments essential for compliance with tax laws and regulations.

12. Going concern assumptions

Auditor's Disclaimer Opinion

"As at 31 March 2024, the Group had net current liabilities and net liabilities of S$10,179,000 and S$10,933,000, respectively, while the Company had net current liabilities and net liabilities of S$5,601,000. In addition, the Group incurred a net loss of S$5,558,000 for FY2024. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as going concern. As disclosed in Note 2(a) to the financial statements, notwithstanding the aforementioned, the directors are of the view that it is appropriate for the financial statements of the Group and the Company to be prepared on a going concern basis.

The ability of the Group and the Company to continue as going concern is dependent on their ability to generate sufficient cash flows and have sufficient working capital and financial resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of the financial statements. Based on the information available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves whether the use of the going concern assumption in preparing the financial statements is appropriate.

If the Group and the Company were unable to continue in operational existence, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to the financial statements."

Efforts taken by the Company to resolve the issue:

The Board wishes to highlight that on 18 June 2024, the controlling shareholder pledged ongoing financial support to the Group and the Company for the subsequent 12 months. This commitment includes refraining from demanding immediate payments for amounts owed by the Group and the Company, ensuring their ability to function as a going concern.

In the meantime, the Company is exploring various options, including potential strategies such as (i) converting shareholder loans/payables into equity shares for recapitalisation, (ii) considering rights issue or share placement to secure additional working capital, and/or (iii) potentially seeking a shareholder loan from the corporate shareholder.

In addition, the Group has also provided cash flow forecasts and assumptions to the Board and Auditor for their assessment and review. The Group will work towards the realisation of its forecast to generate positive cash flows from the current operations to fulfil the payment of current liabilities as and when they fall due.

On 2 April 2024, the Group entered into a non-binding memorandum of understanding with Hong Choi International Limited ("**HCI**") to establish a basis of cooperation and collaboration in the sales and marketing of selling energy capsules and medical beauty products in Singapore, Hong Kong and Southeast Asia. Subsequently, on 19 April 2024, the Group and/or its nominated/designated subsidiary entered into a binding term sheet with HCI to incorporate a company in Hong Kong for the strategic collaboration to carry out the business in the sales and marketing of selling energy capsules and medical/non-medical beauty products in Singapore, Hong Kong and Macau.

Concurrently, the Group have also launched its new Anti-Aging Skin Care Product, JUVE, by Organica International Holdings Pte Ltd (a wholly-owned subsidiary "**Organica**") in Singapore, Taiwan and Malaysia from March 2024 as a Direct Selling venue. In May 2024, Organica management successfully attained the Taiwan direct selling licence and collaborated with the Taiwan direct selling team to start generating sales for the Group.

The Group continues to be (i) prudent with its cash flow planning and will take active measures to trim laggard cash-generating units to focus on higher margin and higher value services, pivoting on the tried and tested and what the Group does best amid high rentals and payroll costs (ii) implement staff incentive schemes (which may include the Performance Share Plan) for staff retention in the tight labour market environment (iii) digital transformation to drive revenue with lower upfront costs, and (iv) potential corporate fund-raising exercises.

In view of the foregoing, the Directors believe that the Group and the Company can continue operating as going concerns.

Notwithstanding that the Auditor has included a Disclaimer of Opinion in their Independent Auditor's Report dated 12 July 2024, the Directors of the Company are of the view and believe that the Group and the Company will be able to generate sufficient positive cash flows to meet the operating requirements of the Group's operations and to pay their debts as and when they fall due. As such, the Directors have determined that it is appropriate for the Group and the Company to adopt the going concern assumption in preparing the financial statements.

The Board is of the view that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner and confirmed that all material disclosures had been provided for the trading of the Company's shares to continue.

The Independent Auditor's Report and a complete set of Financial Statements will also be contained in the Company's Annual Report for FY2024 ("**FY2024 Annual Report**"), which will be released on SGXNET on 12 July 2024. Shareholders of the Company are advised to read this announcement in conjunction with the FY2024 Annual Report.

Shareholders of the Company are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Ho Yow Ping (He YouPing)
Chief Executive Officer

12 July 2024

This announcement has been reviewed by the Company's Sponsor, Evolve Capital Advisory Private Limited (the "**Sponsor**"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Jerry Chua (Tel: (65) 6241 6626), at 138 Robinson Road, Oxley Tower, #13-02, Singapore 068906.