

JCG INVESTMENT HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200505118M)

**DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR
FINANCIAL YEAR ENDED 31 DECEMBER 2019**

The board of directors (the “**Board**” or “**Directors**”) of JCG Investment Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s independent auditor, Nexia TS Public Accounting Corporation, has issued a disclaimer of opinion in respect of its Independent Auditor’s Report for the financial statements of the Group for the financial year ended 31 December 2019 (the “**Auditors Report**”).

Pursuant to Rule 704(4) and paragraph 3A of Appendix 7C of the Catalist Listing Rules, the Board wishes to update the shareholders on its responses 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. Going concerns

The Board believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2019 is appropriate after taking into consideration the following actions and measures:

- (a) Capital injection of S\$4,000,000 in cash by way of subscription for new ordinary shares of the Company from Rest Investments Ltd. A substantial amount of the capital injection was used to pay off the borrowing of S\$3,493,000 due to a non-related party.
- (b) Conversion of payable to new ordinary shares of the Company upon completion of the corporate exercises in January 2019 amounting to S\$3,500,000 taking into consideration unwinding of imputed interest of S\$151,000. The payable was due to a former shareholder, which arise in relation to the acquisition of 51% of CIC from China Medical Investments Co Pte. Ltd. (the “**Vendor**”).
- (c) The Group acquired Brand X Lab Pte. Ltd. (“**Brand X Lab**”) and the acquisition was completed on 15 April 2019. Brand X Lab is a private limited company incorporated in Singapore and it provides event organisation and promotion services as well as business and management consultancy services. This acquisition is synergistic with and complementary to the Company’s existing medical aesthetics and healthcare business and will similarly augment other businesses that the Company would be expanding into in future.
- (d) The Group had completed the acquisition of a controlling interests of 51% in Beverly Wilshire Medical Centre Group on 7 November 2019. In addition, the Company’s wholly-owned subsidiary JCG-Beverly Pte Ltd had on 24 January 2020, formed a strategic joint venture with Natasha Skincare (Malaysia) Sdn Bhd under a Special Purpose Vehicle (“SPV”), Natasha Beverly Sdn Bhd (“**Natasha Beverly**”). Natasha Beverly’s principal activities are medical aesthetics clinic and other health maintenance procedures such as medi-spa, chiropractor and physiotherapy. Furthermore, Natasha Beverly had on 10 March 2020 incorporated a strategic joint venture company, Spinalive Beverly Sdn. Bhd (“**Spinalive Beverly**”) with Spinalive Sdn. Bhd. Spinalive Beverly’s principal activities are chiropractic, traditional treatment and complementary medicine. Barring any unforeseen circumstances, the Group expects these new subsidiary corporations to contribute positively to the Group’s working capital position.
- (e) The Company had on 16 January 2020 completed the issuance and allotment of 427,807,485 subscription shares at an issue price of S\$0.00187 to certain subscribers for a total consideration of S\$800,000 and 85,561,497 investment warrants, each convertible into one warrant share at an exercise price of S\$0.002 per investment warrant pursuant to the subscription agreements.

- (f) Concurrently, the Company will continue to look for other fund-raising exercises to fund the working capital and growth of the Group going forward and the Company will also seek for growth opportunities and all other possibilities to complement the existing businesses of the Group.

2. Independent review on the recoverability of advances and/or loans and goodwill

- (a) The advances and/or loans made to a few business partners for the setting up of clinics through joint venture arrangements and/ or Wholly Foreign-Owned Enterprise (“WFOE”) had been fully impaired or written off during the financial years ended 31 December 2017 and 2016 as management formed the opinion that these loans were no longer recoverable.
- (b) Management had fully impaired the goodwill arising from the acquisition of China iMyth Company Pte. Ltd. (“China iMyth”) during the financial year ended 31 December 2017 on the basis that the business had been recording losses.
- (c) As announced by the Company on 30 March 2020, BDO LLP (the “Independent Reviewer”), which was appointed by the Company to conduct the independent review, has completed the independent review. The Company is in the process of formulating its response and proposal to address the issues raised, and implement the recommendations proposed, in the independent review report. The Company will provide updates to SGX and shareholders in due course and at the appropriate juncture.

3. Consolidation of financial statement – iMyth Taiwan Limited

Management is of the view that the results and financial position of iMyth Taiwan Limited (“iMyth Taiwan”), being net loss of S\$150,000 for the financial year ended 31 December 2019 and net tangible liabilities position of S\$645,000 as at 31 December 2019, is insignificant compared to the Group’s net loss of S\$3,247,000 for the financial year ended 31 December 2019 and net tangible assets position of S\$8,345,000 as at 31 December 2019. In addition, management has the intention to dispose of iMyth Taiwan and will provide updates to shareholders in due course and at the appropriate juncture.

4. Completeness of banking facilities

Due to COVID-19 and the Malaysia Movement Control Order (“MCO”) which has been extended to 28 April 2020, management is unable to obtain the bank confirmations for these bank accounts for two of our Malaysia subsidiaries as at the date of the Auditors’ Report. Despite the limitations due to the MCO, management has continued to follow up on the bank confirmations and hopes to receive these as soon as possible. Nevertheless, management is of the view that the bank balances in those bank accounts amounting of S\$3,700 in aggregate are insignificant compared to the Group’s total cash in bank of S\$1,354,000 and net tangible assets of S\$8,345,000 as at 31 December 2019. Management also confirms that there are no other banking facilities with the financial institutions that could cause an impact on the financial statements, or related information that are required to be disclosed.

The Board (i) is of the opinion that sufficient information has been disclosed for trading of the Company’s securities to continue in an orderly manner; (ii) confirmed that all material disclosures have been provided for trading of the Company’s shares to continue; and (iii) confirmed that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

A copy of the aforesaid Auditors’ Report is annexed to this announcement for further information. The Auditors’ Report and a complete set of the Audited Financial Statements will also be found in the Company’s Annual Report 2019 (“FY2019 Annual Report”), which will be released on SGXNET. Shareholders of the Company are advised to read this announcement in conjunction with the FY2019 Annual Report.

BY ORDER OF THE BOARD

Ang Kok Huan
Chief Executive Officer

15 April 2020

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**").*

*This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**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 Ms Vanessa Ng (Telephone: +65 6389 3065 and Email: vanessa.ng@morganlewis.com).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JCG INVESTMENT HOLDINGS LTD.

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of JCG Investment Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group 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 of the Group and the balance sheet of the Company. Because of the significance of the matters described in the *Bases 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.

Bases for Disclaimer of Opinion

1. Going concerns

The following circumstances give rise to material uncertainties on the Group's and the Company's abilities to continue as going concerns and whether the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and the Company is appropriate for the current financial year:

As disclosed in Notes 4 and 27 to the financial statements, the Group and the Company incurred a net loss of S\$3,247,000 (2018: S\$1,991,000) and S\$5,742,000 (2018: S\$2,473,000) respectively and the Group also incurred net operating cash outflows of S\$1,247,000 (2018: S\$1,810,000) for the financial year ended 31 December 2019. As at 31 December 2019, the Group's and the Company's current liabilities exceeded its current assets by S\$871,000 (2018: S\$5,354,000) and S\$1,071,000 (2018: S\$3,852,000) respectively. The Group's cash and cash equivalents (excluding bank deposits pledged) were in a negative position of S\$297,000 (2018: positive position of S\$1,613,000). The Company's cash and cash equivalents (excluding bank deposits pledged) were S\$114,000 (2018: S\$347,000).

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors of the Company believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2019 is appropriate after taking into consideration the following actions and measures:

- (a) On 10 January 2019, there was a capital injection of S\$4,000,000 in cash by way of subscription for new ordinary shares of the Company from Rest Investments Ltd. A substantial amount of the capital injection was used to pay off the borrowing of S\$3,493,000 due to a non-related party (Note 22).
- (b) Conversion of payable to new ordinary shares of the Company upon completion of the corporate exercises on 10 January 2019 amounting to S\$3,500,000 taking into consideration unwinding of imputed interest of S\$151,000 (Note 21). The payable was due to a former shareholder, which arise in relation to the acquisition of 51% of CIC from China Medical Investments Co Pte. Ltd. (the "Vendor").

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
JCG INVESTMENT HOLDINGS LTD.**
(cont'd)

Bases for Disclaimer of Opinion (cont'd)

1. **Going concerns** (cont'd)

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors of the Company believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2019 is appropriate after taking into consideration the following actions and measures: (cont'd)

- (c) The Group acquired Brand X Lab Pte. Ltd. ("Brand X Lab") and the acquisition was completed on 15 April 2019 (Note 32(i)). Brand X Lab is a private limited company incorporated in Singapore and it provides event organisation and promotion services as well as business and management consultancy services. This acquisition is synergistic with and complementary to the Company's existing medical aesthetics and healthcare business and will similarly augment other businesses that the Company would be expanding into in future.
- (d) The Group had completed the acquisition of a controlling interests of 51% in Beverly Wilshire Medical Centre Group on 7 November 2019 (Note 32(ii)). In addition, the Company's wholly-owned subsidiary JCG-Beverly Pte Ltd had on 24 January 2020, formed a strategic joint venture with Natasha Skincare (Malaysia) Sdn Bhd under a Special Purpose Vehicle ("SPV"), Natasha Beverly Sdn Bhd ("Natasha Beverly"). Natasha Beverly's principal activities are medical aesthetics clinic and other health maintenance procedures such as medi-spa, chiropractor and physiotherapy. Furthermore, Natasha Beverly had on 10 March 2020 incorporated a strategic joint venture company, Spinalive Beverly Sdn. Bhd ("Spinalive Beverly") with Spinalive Sdn. Bhd. Spinalive Beverly's principal activities are chiropractic, traditional treatment and complementary medicine. Barring any unforeseen circumstances, the Group expects these new subsidiary corporations to contribute positively to the Group's working capital position.
- (e) The Company had on 16 January 2020 completed the issuance and allotment of 427,807,485 subscription shares at an issue price of S\$0.00187 to certain subscribers for a total consideration of S\$800,000 and 85,561,497 investment warrants, each convertible into one warrant share at an exercise price of S\$0.002 per investment warrant pursuant to the subscription agreements.
- (f) Concurrently, the Company will continue to look for other fund-raising exercises to fund the working capital and growth of the Group going forward and the Company will also seek for growth opportunities and all other possibilities to complement the existing businesses of the Group.

The abilities of the Group and of the Company to continue in operational existence in the foreseeable future and to meet their financial obligations as and when they fall due are dependent on the positive outcome of the actions and measures under taken as disclosed above and it is uncertain whether the Group and the Company will raise further funds through any fund raising exercises. Therefore, we are unable to obtain sufficient audit evidence to be able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

If the Group and the Company are unable to continue in operational existence in the foreseeable future, 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 balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities to current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
JCG INVESTMENT HOLDINGS LTD.**

(cont'd)

Bases for Disclaimer of Opinion (cont'd)

2. Independent review on the recoverability of advances and/or loans and goodwill

- (a) The Group had provided advances totalling S\$6,078,000 to a few business partners for the setting up of clinics through joint venture arrangements and/or Wholly Foreign-Owned Enterprise ("WFOE") (Note 14). Impairment losses on advances and/or loans amounting to S\$1,589,000 and S\$4,489,000 were recognised and charged to profit and loss during the financial years ended 31 December 2017 and 2016 respectively. The total cumulative loss allowance amounting to S\$6,078,000 were written off during the financial year ended 31 December 2019.
- (b) Goodwill amounting to S\$17,997,000 resulted from the acquisition of the Group's 51% owned subsidiary corporation, China iMyth Company Pte. Ltd. ("China iMyth") had been fully impaired during the financial year ended 31 December 2017 (Note 20(a)).
- (c) The Board of Directors had commissioned and appointed an independent reviewer on 30 November 2018 to undertake an independent review of the Group's financial matters pertaining to the impaired advances and/or loans as well as other key matters relating to the acquisition and subsequent impairment of China iMyth. On 30 March 2020, the Company announced that the independent reviewer had completed and issued their independent review report to the Board of Directors.

At the date of this report we are unable to:

- (a) Obtain sufficient appropriate audit evidence concerning the existence and accuracy of the total advances and/or loans provided to business partners totalling S\$6,078,000 and the corresponding resultant cumulative impairment loss amounting to S\$6,078,000.
- (b) Determine whether the impairment loss provided on the goodwill resulted from acquisition of China iMyth is appropriate as we are unable to obtain sufficient appropriate audit evidence with respect to the cash flow projections.
- (c) Ascertain nor perform any other audit procedures on whether the completed independent review announced on 30 March 2020 would have an impact on the Group's and the Company's ongoing business operations; and the significance of adjustments and other uncertainties of areas, if any, that may arise from the completed independent review, to the accompanying financial statements as we were not provided with sufficient turnaround time to ascertain the facts in the independent review report as well as to discuss with the management their proposed response and action plans.

The matters (a) to (c) mentioned above have been included in the Bases for Disclaimer of Opinion paragraph in the Independent Auditor's Report on the consolidated financial statements of the Group and the balance sheet of the Company for the financial years ended 31 December 2018 and 2017 dated 5 April 2019 and 3 April 2018 respectively.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
JCG INVESTMENT HOLDINGS LTD.
(cont'd)**

Bases for Disclaimer of Opinion (cont'd)

3. Consolidation of financial statement – iMyth Taiwan Limited (cont'd)

As disclosed in Note 16 to the financial statements, the Group owned 51% equity interest in iMyth Taiwan Limited ("iMyth Taiwan") as at 31 December 2019.

We were unable to obtain sufficient audit evidence on all information and explanations, which we considered necessary to provide us with reasonable assurance on the completeness, existence and accuracy of the financial statements of iMyth Taiwan, which have been included in the consolidated financial statements of the Group for the financial year ended 31 December 2019. We were also unable to determine whether the financial information have been appropriately and properly consolidated.

The matter mentioned above have been included in the Bases for Disclaimer of Opinion paragraph in the Independent Auditor's Report on the consolidated financial statements of the Group and the balance sheet of the Company for the financial years ended 31 December 2018 and 2017 dated 5 April 2019 and 3 April 2018 respectively.

4. Completeness of bank facilities

As at 31 December 2019, we are unable to obtain certain bank confirmations relating to two subsidiary corporations, namely, Beverly Wilshire Medical Centre Sdn. Bhd. and Beverly Medical Centre Sdn. Bhd. We were unable to ascertain the completeness of these banking facilities entered into by the two subsidiary corporations and also we were unable to satisfy ourselves by alternative means as to whether there are any other facilities with the financial institution which could have an impact on the financial statements, or related information that are required to be disclosed.

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 Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s"), 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
JCG INVESTMENT HOLDINGS LTD.**

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards of Auditing and to issue an auditor's report. However, because of the matters described in the *Bases 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.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Bases 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 director on the audit resulting in this independent auditor's report is Loh Hui Nee.

**Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants**

Singapore

15 April 2020