

**MARY CHIA HOLDINGS LIMITED**  
Company Registration No. 200907634N  
(Incorporated in Singapore)

---

**QUALIFIED OPINION BY AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR  
THE FINANCIAL YEAR ENDED 31 MARCH 2021**

---

Pursuant to Rule 704(4) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors ("**Board**") of Mary Chia Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Foo Kon Tan LLP (the "**Independent Auditor**"), has in its Independent Auditor's Report dated 15 September 2021 (the "**Independent Auditor's Report**"), included a qualified opinion ("**Qualified Opinion**") in relation to the Group's consolidated financial statements for the financial year ended 31 March 2021 ("**FY2021**").

The Independent Auditor's Report which contains the basis for the qualified opinion is attached to this Announcement for shareholders' reference.

The extract of the basis of the qualified opinion issued by Independent Auditor is as follows:

**Qualified Opinion**

We have audited the financial statements of Mary Chia Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the statements of financial position of the Group and the Company as at 31 March 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "**Act**") and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

**Basis for Qualified Opinion**

Sales and trade receivables of a subsidiary

On 24 November 2020, the Group via its wholly owned subsidiary M2 Group Pte. Ltd. completed the acquisition of an 80% equity interest in a subsidiary, Starting Line Trading Pte. Ltd. ("**Starting Line**"), a whole seller of a variety of goods without a dominant product.

Starting Line's sales for the financial period ended 31 March 2021 is mainly to two major customers. We were unable to obtain trade receivables confirmation as at 31 March 2021 from the two customers and we were unable to verify if the receipts by the subsidiary were from the two customers during the financial period ended 31 March 2021. Consequently, we were unable to determine the reasonableness of the sales amounting to \$398,000 for the financial period ended 31 March 2021 and trade receivables of \$560,000 as at 31 March 2021 is fairly stated.

We conducted our audit in accordance with Singapore Standards in Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

**BY ORDER OF THE BOARD**

Wendy Ho

Chief Executive Officer  
15 September 2021

---

This announcement has been reviewed by the Company's sponsor, SAC Capital 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 Ms Charmian Lim (Tel: (65) 6232 3210), at 1 Robinson Road, #21- 00 AIA Tower, Singapore 048542.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MARY CHIA HOLDINGS LIMITED  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

## Report on the Audit of the Financial Statements

### Qualified Opinion

We have audited the financial statements of Mary Chia Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which comprise the statements of financial position of the Group and the Company as at 31 March 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the “**Act**”) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Qualified Opinion

#### Sales and trade receivables of a subsidiary

On 24 November 2020, the Group via its wholly owned subsidiary M2 Group Pte. Ltd. completed the acquisition of an 80% equity interest in a subsidiary, Starting Line Trading Pte. Ltd. (“**Starting Line**”), a whole seller of a variety of goods without a dominant product.

Starting Line’s sales for the financial period ended 31 March 2021 is mainly to two major customers. We were unable to obtain trade receivables confirmation as at 31 March 2021 from the two customers and we were unable to verify if the receipts by the subsidiary were from the two customers during the financial period ended 31 March 2021. Consequently, we were unable to determine the reasonableness of the sales amounting to \$398,000 for the financial period ended 31 March 2021 and trade receivables of \$560,000 as at 31 March 2021 is fairly stated.

We conducted our audit in accordance with Singapore Standards in Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Information Other than the Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprise the information included in the annual report but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis of Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about sale and trade receivables of a subsidiary. Accordingly, we are unable to conclude whether or not the other information is materially misstated.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MARY CHIA HOLDINGS LIMITED  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

### 1. Accounting for acquisition of Monsoon Hairdressing Group as subsidiaries

On 24 November 2020, the Group announced the completion of the acquisition of 80% equity interest in Starting Line Trading Pte. Ltd., Hatsuga Enterprise Pte. Ltd., M Nature Pte. Ltd., M Plus Hair Pte. Ltd. and Monsoon Hair House Pte. Ltd. (collectively known as the "Monsoon Hairdressing Group") through its wholly-owned subsidiary M2 Group Pte Ltd. Management had determined that the financial results of the Monsoon Hairdressing Group had not changed significantly from 24 November 2020 to 30 November 2020. Accordingly, the Group determined the acquisition date to be 30 November 2020 and has accounted for Monsoon Hairdressing Group as subsidiaries with effect from that date. Management performed a purchase price allocation exercise ("PPA") to determine the appropriate fair values of the net identifiable assets and liabilities at the acquisition date on 30 November 2020.

Management reviewed its rights and power over the investment in Monsoon Hairdressing Group and concluded that it gained control over Monsoon Hairdressing Group on 30 November 2020. In accordance with SFRS(I) 10 Consolidated Financial Statements, the gaining of control represented a significant economic event that required the parent to start consolidating the subsidiary at the date when control was gained. The assessment of the management's judgement in determining whether the Group has control over Monsoon Hairdressing Group is a key focus area of our audit because this judgement has significant effect on the amounts recognised in the consolidated financial statements.

SFRS(I) 3, Business Combinations, requires the Group to recognise the identified assets, liabilities and contingent liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over identified fair value of recognised assets and liabilities as goodwill. Such transactions could be complex and judgement was required from management in determining if the acquisition resulted in the Group obtaining control over the investee. There was also inherent uncertainty in the determination of the fair values of the contingent consideration, assets transferred, identified assets acquired and liabilities assumed in the transactions.

Management has engaged an independent valuer fair value the purchase consideration, identified assets and liabilities at acquisition date. The PPA exercise was completed before the reporting date and goodwill of \$2,586,000 was recognised. This process involves estimation and judgement of fair values of the adjusted net assets.

Our response and work performed:

We reviewed and evaluated management's assessment on whether the Group has the practical ability and substantive right to direct the relevant activities of Monsoon Hairdressing Group in accordance with SFRS(I) 10 Consolidated Financial Statements. We assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

In our audit procedures, we have obtained the legal and contractual information to understand the acquisition and we have engaged our valuation expert to review the PPA report and reasonableness of the underlying key assumptions. Based on our procedures, we have assessed the independence and competencies of both the auditors and management's experts performing the PPA exercise in Monsoon Hairdressing Group. We have evaluated the appropriateness of the key assumptions used in the PPA report.

### 2. Impairment of goodwill on acquisition of Monsoon Hairdressing Group

During the financial year ended 31 March 2021, the Group completed the PPA exercise for acquisition of Monsoon Hairdressing Group and recorded a goodwill of \$2,586,000 at acquisition date. Under SFRS(I) 36, Impairment of Assets, the Group is required to annually test the amount of goodwill for impairment. This annual impairment test is important to our audit as the balance of \$2,586,000 is material to the consolidated financial statements. We focus on goodwill impairment testing of cash generating units ("CGU") of Monsoon Hairdressing Group based on higher of fair value less costs to sell and estimated value-in-use ("VIU").

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MARY CHIA HOLDINGS LIMITED  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

## Key Audit Matters (Cont'd)

### 2. Impairment of goodwill on acquisition of Monsoon Hairdressing Group (Cont'd)

The management's expert prepared the valuation report indicating that the VIU of Monsoon Hairdressing Group is higher than the carrying amount of goodwill as at 31 March 2021. Fair value less costs to sell is not prepared by management as the VIU is higher than the carrying amount of goodwill. Consequently, there was no impairment recorded on the goodwill arising from the acquisition of the Monsoon Hairdressing Group.

Our response and work performed:

We evaluated and reviewed the key assumptions used by management in conducting the impairment review. Based on our procedures, we have assessed the independence and competencies of both the auditors and management's experts performing the impairment of goodwill exercise in Monsoon Hairdressing Group. We have evaluated the appropriateness of the key assumptions used in the VIU report.

We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

### 3. Going concern

We draw attention to Note 2 to the financial statements. As at 31 March 2021, the Group's current liabilities exceeded its current assets by \$8,169,000 (2020 - \$8,219,000) and the Group had a capital deficit in equity of \$5,056,000 (2020 - \$12,016,000). As at 31 March 2021, the Company's current liabilities exceeded its current assets by \$4,590,000 (2020 - \$2,465,000) and the Company had a capital deficit in equity of \$2,081,000 (2020 - \$2,461,000).

These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as going concern.

Management's basis for preparing the financial statements on a going concern basis as at 31 March 2021 is provided in Note 2, including the fact that the Group and the Company will have sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of the financial statements after taking into consideration the holding company has given an undertaking to provide financial support to the Group and the Company for the next 12 months after the date of the auditor's report to operate without any curtailment of operations.

As the going concern assessment is a significant risk area of our audit and involves significant judgement, we have identified this as a key audit matter.

Our response and work performed:

We evaluated management's assessment of the Group's and the Company's ability to continue as a going concern. We challenged management on the key assumptions used in the cash flows forecasts for the next 12 months from the balance sheet date. We also assessed if these forecasts are reasonable by performing sensitivity analysis on the forecasts by considering potential downside scenarios and the resultant impact on available funds. We assessed the ability of the holding company to provide financial support to the Group by reviewing the financial statements of the holding company.

## 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 Act and 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 and the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's and the Company's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MARY CHIA HOLDINGS LIMITED  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In our opinion, 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 partner on the audit resulting in this independent auditor's report is Ang Soh Mui.

Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants

Singapore, 15 September 2021