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

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

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 13 July 2023 (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 2023 ("**FY2023**") (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 were appointed as auditor of the Company on 3 February 2023, in respect of the financial statements for the financial year ended 31 March 2023 ("FY2023"). The financial statements for the financial year ended 31 March 2022 ("FY2022") were audited by another auditor who expressed a disclaimer of opinion on those financial statements on 11 November 2022 in relation to (i) sales and trade receivables of a subsidiary; (ii) opening balances; (iii) insufficient supporting documentation and records; and (iv) going concern assumptions.

In respect of sales of a subsidiary for the financial year ended 31 March 2021 ("FY2021") and its trade receivables as at 31 March 2021, we were unable to obtain trade receivables confirmations as at 31 March 2021 from the two customers and verify whether the receipts by the subsidiary were from the two customers during FY2021. Consequently, we were unable to determine that these sales and trade receivables were fairly stated. As the trade receivables had been written off during FY2022, there is no impact on the opening balances of the Group as at 1 April 2022.

In relation to opening balances, due to the limitation in scope imposed by management in consideration of the additional costs and time required to perform the review of opening balances as at 1 April 2021, the predecessor auditor was unable to perform audit procedures to obtain sufficient appropriate audit evidence about whether the Group's and Company's opening balances as at 1 April 2021 were fairly stated.

With regards to insufficient supporting documentation and records, the predecessor auditor was unable to obtain sufficient appropriate documentary evidence to ascertain the carrying amount of the balances recorded in the statement of financial position nor the amounts relating to transactions recorded during FY2022. The predecessor auditor had encountered significant challenges during the course of its audit as management was unable to retrieve and provide the aforementioned corresponding information and documents by the regulatory deadline. The Group had faced attrition in the finance team. Consequently, the predecessor auditor was unable to satisfy themselves on the appropriateness of the carrying amount of all the assets and liabilities recorded in the statement of financial position as at 31 March 2022, the occurrence and completeness of the transactions recorded during the financial year then ended, nor the corresponding disclosures made in the financial statements. Accordingly, the predecessor auditor was unable to quantify the adjustments or disclosures that might be necessary to the financial statements of the Group and the Company for FY2022.

In respect of going concern assumptions, as at 31 March 2022, the Group's and the Company's current liabilities had exceeded its current assets by S$10,814,000 and S$4,522,000, respectively, while the Group and the Company had a net capital deficiency of S$5,533,000 and S$2,015,000, respectively. The Group had also recorded a net loss and total comprehensive loss of S$1,289,000 and S$1,267,000, respectively, for FY2022. These factors indicated the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concern. The predecessor auditor was unable to obtain sufficient appropriate audit evidence to support management's use of the going concern assumption in its preparation of the financial statements as the predecessor auditor was unable to assess the ability of the holding company to provide the financial support to the Group and the Company.

In view of the matters above, we are unable to determine whether the opening balances of the assets and liabilities of the Group and the Company as at 1 April 2022 are appropriately stated. Accordingly, any adjustments found to be necessary may significantly affect the Group's financial performance and cash flows for FY2023 and the related disclosures in the notes to the financial statements for FY2023. In addition, there is a possible effect of these matters on the comparability of the current year's figures and the corresponding figures."

Board's Response

The Board wishes to highlight that the difficulties experienced by the Auditor and the predecessor auditor to determine 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 were due to the Group and the Company experiencing high staff attrition, including short notice departure of several key personnel within the finance team who had the relevant background information on the historical financial information of the Group and such responsibilities were also not sufficiently handed over to the newly formed finance team. In this connection, the Group had made several announcements pertaining to the extension of the unaudited financial results and holding its Annual General Meeting.

In stabilising and strengthening the finance team, the Group went on to hire new finance team members from September 2022 onwards, including the appointment of a new Group Chief Financial Officer in December 2022 and finance manager in May 2023 as the previous finance manager resigned during the critical phase of the audit due to health reasons. Collectively, the new finance team members are on average less than 6 months term and do not have the relevant runway period and background knowledge on the historical financial information, resulting in difficulties in coordinating the audit process, which includes facilitating information requests between the Auditor and the relevant departments within the Group.

The Board also wishes to highlight that while the team had provided full cooperation to the Auditor during the course of the audit, they generally required a longer response time to the Auditor's requirements due to the Group's FY22 disclaimer of opinion, in which the Auditor has also enhanced their audit procedures and vouching documentation.

2. <u>Impairment of non-financial assets</u>

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

"As at 31 March 2023, the Group's non-financial assets, other than inventories, comprise plant and equipment, right-of-use assets and joint ventures with carrying amount of S$714,000, S$1,510,000 and S$1,394,000, respectively, while the Company's non-financial assets comprise investments in subsidiaries with carrying amount of S$2,507,000. The Group's non-financial assets also include intangible assets and goodwill with carrying amount of S$90,000 and S$2,586,000, respectively, as at 1 April 2022. We have been unable to obtain 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 judgements, assumptions and estimates, or valuation reports 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, right-of-use assets and joint ventures and the Company's subsidiaries to be recognised in the Group's and the Company's profit or loss for FY2023, and satisfy ourselves as to the appropriateness of the carrying amount of the Group's plant and equipment, right-of-use assets and joint ventures and the Company's subsidiaries as at 31 March 2023 and the opening balances as at 1 April 2022."

<u>Board's Response</u>

The Board wishes to highlight that the difficulties experienced by the Auditor as mentioned above, are mainly due to the carrying amount and opening balances as at 1 April 2022.

Nevertheless, the Group reviews 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.

In this connection, management has assessed and written off the non-financial assets, which include intangible assets and goodwill with carrying amount of S$90,000 and S$2,586,000 was due to the disposal of 50% equity shares of Monsoon Hairdressing group of companies ("**Monsoon Group**") to Vintage Studio Pte Ltd ("**Vintage**") as per the announcement on 1 February 2023. Pertaining to the joint ventures with carrying amount of S$1,394,000, management has assessed that there are no impairment losses for the joint venture with Vintage, as the collaboration, despite being in its infancy phase, has already shown positive results in the outlets.

The Board also wishes to highlight that while the new finance team had provided full cooperation to the Auditor during the course of the audit, even though they do not have the relevant runway period and background knowledge on the historical financial information to provide for the opening balance as at 1 April 2022 which would also affect the impairment losses on the non-financial assets to be recognised in the Group's and the Company's profit and loss for FY2023.

3. Subsidiaries

Auditor's Disclaimer Opinion

"*As disclosed in Note 8 to the financial statements, the Company's investments in subsidiaries amounted to S$2,507,000 as at 31 March 2023. We have been unable to obtain the relevant supporting documents such as the details making up the costs of certain subsidiaries, to ascertain the accuracy of the costs of investments in these subsidiaries. Consequently, we are unable to satisfy ourselves as to the appropriateness of the carrying amount of the Company's investments in subsidiaries as at 31 March 2023 and the opening balance as at 1 April 2022."*

Board's Response

The Board wishes to highlight that Company's investments in subsidiaries amounting to S$2,507,000 as at 31 March 2023 pertaining to the Company's wholly-owned subsidiary, M2 Group Pte. Ltd., which on 6 February 2023, entered into a sale and purchase agreement ("SPA") with Vintage Studio Pte. Ltd. ("Vintage") in relation to the proposed disposal of 50% equity interest in each of Hatsuga Enterprise Pte. Ltd., M Nature Pte. Ltd., M Plus Hair Pte. Ltd. and Monsoon Hair House Pte. Ltd. for a cash consideration of S$800,000. The Group had accounted for the remaining 30% equity interest in the respective entities as investments in joint ventures, of which the fair value at the date of disposal was S$870,000. Management has assessed that there are no impairment losses for M2 Group Pte. Ltd arising from the joint venture with Vintage, given that the outlets have already started to show positive results despite the collaboration being in its infancy phase.

The Board also wishes to highlight that while the new finance team had provided full cooperation to the Auditor during the course of the audit, even though they do not have the relevant runway period and background knowledge on the historical financial information to provide for the opening balance as at 1 April 2022 which would also affect the carrying amount for the investment in subsidiaries as at 31 March 2023.

4. Joint ventures

Auditor's Disclaimer Opinion

"As disclosed in Note 9 to the financial statements, on 6 February 2023, the Company's wholly-owned subsidiary, M2 Group Pte. Ltd. ("M2 Group"), completed the transfer of its 50% equity interest in each of Hatsuga Enterprise Pte. Ltd., M Nature Pte. Ltd., M Plus Hair Pte. Ltd. and Monsoon Hair House Pte. Ltd. (the "Target Companies") for a cash

consideration of S$800,000, and M2 Group holds a remaining 30% equity interest in each of the Target Companies.

Under Singapore Financial Reporting Standard (International) ("SFRS(I)") 10 Consolidated Financial Statements, if a parent loses control of a subsidiary, the parent derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position, and recognises any investment retained in the former subsidiary at its fair value.

The Group had accounted for the remaining 30% equity interest in each of the Target Companies as investments in joint ventures of which the total fair value at the date of disposal was S$870,000, with a gain on disposal of S$402,000, and a share of profit of S$524,000 recognised from the date of disposal to the end of the reporting period. We are unable to obtain sufficient supporting documents and information relating to the judgements, assumptions and estimates used by management in determining the fair value and the breakdown of the retained interest in the respective Target Companies, to assess the appropriateness of the judgements, assumptions and estimates. In addition, we are unable to obtain the relevant supporting documents and information to ascertain the appropriateness of the underlying assets and liabilities and the transactions of the Target Companies. Consequently, we are unable to satisfy ourselves as to the appropriateness of the carrying amount of the Group's joint ventures as at 31 March 2023 the gain on disposal of subsidiaries, share of results of joint ventures and any impairment losses for FY2023, and the relevant disclosures in the financial statements. In addition, we are unable to ascertain the appropriateness of presentation and disclosures relating to discontinued operations. We are also unable to satisfy ourselves as to the appropriateness of various elements in the consolidated statement of profit or loss and other comprehensive income, including revenue, purchases, staff costs and other operating expenses, attributable to the Target Companies for FY2023 up to the date of disposal.

As disclosed in Note 35 to the financial statements, the acquisition of 20% equity interest in each of Hatsuga Enterprise Pte. Ltd., M Nature Pte. Ltd., M Plus Hair Pte. Ltd., Monsoon Hair House Pte. Ltd. and Starting Line Trading Pte. Ltd. was completed on 20 June 2023. The financial effects of the acquisition have not been disclosed in the financial statements. Consequently, we are unable to satisfy ourselves as to the completeness of disclosures of the related information in the financial statements."

Board's Response

The Board wishes to highlight that the above concerns are also pertaining to the joint venture with Vintage. The management has made its assessment based on the collaboration with Vintage. Despite it having only been a short span of time since Vintage acquired 50% equity interest in each of Hatsuga Enterprise Pte. Ltd., M Nature Pte. Ltd., M Plus Hair Pte. Ltd. and Monsoon Hair House Pte. Ltd., the business collaboration has yielded positive results in the outlets.

5. **Inventories and purchases**

Auditor's Disclaimer Opinion

"Inventories as at 31 March 2023 as disclosed in Note 11 to the financial statements amounted to S$100,000. We are unable to obtain the detailed inventories listing and reconciliation workings to agree to the general ledger as at 31 March 2023. We are also 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 2023. In addition, we are unable to ascertain the cut-off of purchases. 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 2023 and the opening balance as at 1 April 2022. In the absence of sufficient documentary evidence, we are also unable to ascertain the appropriateness of purchases recognised in profit or loss and any write-down on inventories to be recognised in profit or loss for FY2023"

Board's Response

The Board wishes to highlight that the Group measures inventories at the lower of cost and net realisable value. The Group records a write-down for inventories of components and products which have become obsolete or are in excess of anticipated demand or net realisable value. Management also performs a detailed assessment of inventories at the end of each reporting period to establish an allowance for excess and obsolete inventories, evaluating and reviewing the historical sale, current economic and technological trends, forecasted sales, demand requirements, product life cycle, quality issues and current inventory levels.

Accordingly, the Board also wishes to highlight that while the new finance team had provided full cooperation to the Auditor during the course of the audit, even though they do not have the relevant runway period and background knowledge on the historical financial information, which could have resulted in the difficulties experienced by the Auditor, the current finance team and key management will be working closely with Auditor's guidance to place key emphasis procedures and implementation on inventory digital systems and/or workflow for costing, stock-take, and movements on a monthly and quarterly basis.

6. **Consideration receivable**

Auditor's Disclaimer Opinion

"Included in trade and other receivables as at 31 March 2023 as disclosed in Note 12 to the financial statements is consideration receivable of S$200,000 which was payable on or before 30 March 2023 and extended to 30 September 2023 upon mutual agreement by the Group and the purchaser. We have been unable to obtain sufficient information to assess the recoverability of the outstanding consideration receivable and satisfy ourselves as to the appropriateness of its carrying amount as at 31 March 2023."

Board's Response

The Board wishes to highlight that Vintage is a leading hairdressing business and brands with various outlets in Singapore's North, South, East, West and Central regions. Vintage also brings years of hairdressing management experience with proven success in the industry. With this joint venture, both partners can leverage their extensive networks to expand their customer base and footprint across the island and elevate their service offerings to enhance the overall customer experience. Accordingly, to date, the joint venture has shown positive collaboration and results from the outlets.

To this extent, the Board and management are confident with Vintage's joint venture and the recoverability of the outstanding consideration receivable.

7. Bank deposits

Auditor's Disclaimer Opinion

"Included in cash and bank deposits as at 31 March 2023 are bank balances of S$4,000 held by a subsidiary of the Company, for which we have been unable to obtain confirmations from the bank. Consequently, we were unable to satisfy ourselves as to the appropriateness of the carrying amounts of these bank balances, any assets held as security, guarantees, commitments and contingencies, and the completeness of bank accounts and any loans or other banking facilities held by the subsidiary as at 31 March 2023."

Board's Response

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 this only outstanding bank confirmation for this subsidiary.

8. Other Payables

Auditor's Disclaimer Opinion

"Included in trade and other payables as at 31 March 2023 as disclosed in Note 19 to the financial statements are other payables of the Group and the Company of S$761,000 and S$226,000, respectively. We are unable to obtain the detailed breakdown of the balances of other payables and the relevant supporting documents, such as supplier invoices, to ascertain the appropriateness of their carrying amounts as at 31 March 2023."

Board's Response

The Board wishes to highlight that the new finance team had provided full cooperation to the Auditor during the course of the audit even though they did not have the relevant runway period and background knowledge on the historical financial information, which could have resulted in the difficulties experienced by the Auditor. The current finance team and key management have already placed key emphasis and implementation on strengthening the documentation process and enhancing document retention digitally for payables invoices, procedures and workflow on a monthly and quarterly basis.

9. Revenue and contract liabilities

Auditor's Disclaimer Opinion

"Revenue in the consolidated statement of profit or loss and other comprehensive income for FY2023 is S$8,717,000. As disclosed in Note 21 to the financial statements, the Group's revenue derived from the sale of products amounted to S$1,414,000 for FY2023. We have been unable to obtain the relevant supporting documents for certain items of revenue, 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 revenue and its cut-off for FY2023. In respect of revenue from beauty, slimming and spa service treatments and hairdressing treatments amounting to S$5,040,000 and S$2,263,000, respectively, for FY2023, we have been unable to obtain the supporting documents and information to ascertain the appropriateness of such revenue recognised over time or at a point in time, including the detailed listings and reconciliation workings of revenue and contract liabilities by customers.

In view of the above, we are unable to ascertain the existence, completeness and accuracy of revenue for FY2023 and contract liabilities as at 31 March 2023 recognised by the Group. Consequently, we are unable to satisfy ourselves as to the appropriateness of the Group's revenue for FY2023, the carrying amount of the Group's contract liabilities as at 31 March 2023 and the opening balance as at 1 April 2022, and the related disclosures in the notes to the financial statements for FY2023."

Board's Response

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 and 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.

Accordingly, the Board also wishes to highlight that while the new finance team had provided full cooperation to the Auditor during the course of the audit, even though they do not have the relevant runway period and background knowledge on the historical financial information, which could have resulted in the difficulties experienced by the Auditor. The current finance team and key management have already placed key emphasis and implementation on strengthening the sales documentation process, enhancing document retention digitally for sales invoices, and digitalising treatment cards or other transactional records to demonstrate the occurrence, procedures and workflow on a monthly and quarterly basis.

10. **Staff costs**

Auditor's Disclaimer Opinion

"Included in staff costs on the consolidated statement of profit or loss and other comprehensive income for FY2023 as disclosed in Note 23 to the financial statements are commission expenses of S$885,000. We are unable to obtain sufficient appropriate audit evidence, including the detailed breakdown of sales commissions by employees which agree to the general ledger and the supporting computational workings and records, to ascertain the existence, completeness, accuracy and classification of the commission expenses. Consequently, we are unable to satisfy ourselves in respect of the appropriateness of staff costs for FY2023."

Board's Response

Accordingly, the Board also wish to highlight that while the new finance team had provided full cooperation to the Auditor during the course of the audit, even though they do not have the relevant runway period and background knowledge on the historical financial information, which could have resulted in the difficulties experienced by the Auditor. The current finance team and key management have already placed key emphasis and implementation to strengthen the documentation for commission expenses digitally to demonstrate the occurrence, procedures and workflow on a monthly and quarterly basis.

11. **Related party balances and transactions**

"Included in trade and other receivables as at 31 March 2023 as disclosed in Note 12 to the financial statements are the Company's non-trade amounts due from subsidiaries of S$34,723,000, less allowance for impairment losses of S$25,515,000, and the Group's non-trade amounts due from related parties of S$130,000. Included in trade and other payables as at 31 March 2023 as disclosed in Note 19 to the financial statements are the Company's non-trade amounts due to subsidiaries of S$13,175,000, and the Group's non-trade amounts due to related parties and a director of S$1,224,000 and S$1,059,000, respectively.

We have been unable to obtain the detailed listing of balances and transactions which agree between the respective group entities and related parties. In addition, we have been unable to obtain sufficient information to assess the impairment of the non-trade amounts due from subsidiaries. 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 and the Group's non-trade amounts due from related parties, and the Company's non-trade amounts due to subsidiaries and the Group's non-trade amounts due to related parties and a director as at 31 March 2023, and the opening balances as at 1 April 2022. 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 FY2023."

Board's Response

Accordingly, the Board also wishes to highlight that while the new finance team had provided full cooperation to the Auditor during the course of the audit, even though they do not have the relevant runway period and background knowledge on the historical financial information, which could have resulted in the difficulties experienced by the Auditor. The current finance team and key management have already placed key emphasis and implementation to strengthen the documentation for related party transactions digitally to demonstrate the occurrence, procedures and workflow on a monthly and quarterly basis.

12. 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."

Board's Response

The Board wishes to highlight that the Group understands the importance of ensuring compliance with tax laws and regulations and maintaining transparency in our financial reporting. We take the matter of tax implications seriously and are committed to addressing any adjustments. Should any adjustments be deemed necessary due to this review, we will promptly make the required changes to our financial statements or other relevant documents. These adjustments will accurately reflect any revised or corrected information and ensure our income taxes are appropriately adjusted. We also understand the importance of timely and accurate tax reporting, and we will diligently handle any adjustments required to comply with tax laws and regulations.

13. Going concern assumptions

Auditor's Disclaimer Opinion

"As at 31 March 2023, the Group had net current liabilities and net liabilities of S$8,357,000 and S$5,539,000, respectively, while the Company had net current liabilities and net liabilities of S$4,590,000 and S$2,083,000, respectively. In addition, the Group incurred a net loss of S$1,041,000 for FY2023. 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."*

Board's Response

The Board wishes to highlight that the controlling shareholder has given the undertaking to provide continuing financial support to the Group and the Company for the next 12 months after the date of the authorisation of the financial statements for the financial year ended 31 March 2023 and not demand immediate payments for amounts owing by the Group and the Company, to enable them to continue to operate as going concern.

In the meantime, the Company is exploring several possible options, which may include (i) recapitalising by converting shareholder's loan/payables to equity shares, (ii) rights issue or share placement to raise additional working capital for the Group and/or (iii) 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.

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 13 July 2023, 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 FY2023 ("**FY2023 Annual Report**"), which will be released on SGXNET on 13 July 2023. Shareholders of the Company are advised to read this announcement in conjunction with the FY2023 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

Wendy Ho

Chief Executive Officer
13 July 2023

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