

# JCG INVESTMENT HOLDINGS LTD.

(formerly known as China Medical (International) Group Limited)

(Company Registration No. 200505118M)

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## DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

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The Board of Directors (“**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 2018 (the “**Auditors Report**”).

The Board’s responses to the key bases for the disclaimer of opinion are set out below:

### 1. Going Concern

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 2018 is appropriate after taking into consideration the following actions and measures:

Subsequent to the financial year ended 31 December 2018:

- (a) Capital injection of S\$4,000,000 in cash by way of a 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 for new ordinary shares of the Company amounting to S\$3,500,000. 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”). Dato Dr Choo Yeow Ming, a shareholder of the Company is also a director and has 55% equity interests in the Vendor.
- (c) The Company has embarked on a strategic review of the Group’s existing businesses to determine the feasibility of growing and expanding these businesses, as well as to consider the feasibility of adding business consultancy, real estate related services, investment management and advisory services, subject to compliance with licencing and other regulatory requirements.
  - (i) As part of the strategic review upon the recent corporate exercise, the Company has entered into a sale and purchase agreement with Brand X Lab Pte. Ltd. on 11 March 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;
  - (ii) The Company intends to rejuvenate its medical aesthetics business by widening its involvement into Singapore, Malaysia as well as China. In addition, providing fee-based aesthetics concierge and referral services is also one of the areas which the Company is

exploring to venture into. Such aesthetics concierge and referral services would provide the Group with additional revenue stream without incurring additional capital expenditure; and

- (iii) The Company is actively exploring to build up a wealth business segment encompassing business consultancy and real estate related services and investments.
- (d) 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) The independent reviewer has yet to complete and provide details of their independent review as of the date of this announcement. Nevertheless, the Company does not foresee that there will be significant impact on the Group’s and the Company’s ongoing business operations; and adjustments, if any, that may arise from the review, to the financial statements.

## **3. Consolidation of financial statement – iMyth Taiwan Limited**

Management is of the opinion that based on its review, the accounting and financial records of iMyth Taiwan Limited have been reasonably maintained despite the challenging business conditions and high staff turnover.

## **4. Deconsolidation of subsidiary corporation, China iMyth (Shanghai) Co., Ltd.**

China iMyth (Shanghai) Co., Ltd has completed the de-registration and voluntary liquidation on 24 January 2019.

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; and (ii) confirmed that all material disclosures have been provided for trading of the Company’s shares to continue.

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 2018 ("**FY2018 Annual Report**"), which will be released on SGXNET and despatched to shareholders in due course. Shareholders of the Company are advised to read this announcement in conjunction with the FY2018 Annual Report.

**BY ORDER OF THE BOARD**

**5 April 2019**

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This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
JCG INVESTMENT HOLDINGS LTD.  
(F.K.A CHINA MEDICAL (INTERNATIONAL) GROUP LIMITED)**

**Report on the Audit of the Financial Statements**

*Disclaimer of Opinion*

We were engaged to audit the accompanying financial statements of JCG Investment Holdings Ltd. (f.k.a China Medical (International) Group Limited) (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 2018, 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, as set out on pages 16 to 104.

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 Concern**

The following circumstances give rise to material uncertainties as to the appropriateness of the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and the Company for the current financial year:

- (a) As disclosed in Note 4 to the financial statements, the Group and the Company incurred a net loss of S\$1,991,000 (2017 (Restated): S\$11,372,000) and S\$2,473,000 (2017 (Restated): S\$10,971,000) respectively and the Group also incurred net operating cash outflows of S\$1,810,000 (2017 (Restated): S\$3,071,000) for the financial year ended 31 December 2018. As at 31 December 2018, the Group's current liabilities exceeded its current assets by S\$5,354,000 (2017: S\$128,000). The Group's cash and cash equivalents (excluding bank deposits pledged) were S\$1,613,000 (2017: S\$3,344,000).
- (b) As at 31 December 2018, the Group had:
  - a. Borrowings owing to a non-related party amounting to S\$3,493,000 (2017: S\$3,421,000) of which the maturity date of repayment due on 28 March 2017 has been extended to 27 June 2017, 27 December 2017, 27 June 2018, 27 December 2018 and subsequently 28 January 2019.
  - b. Payables amounting to S\$3,500,000 (2017: S\$3,500,000) to a former shareholder, which arise in relation to the acquisition of 51% of China iMyth Company Pte. Ltd. ("CIC") is due on 9 November 2019 after extending the initial repayment date on 31 December 2016.

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*Bases for Disclaimer of Opinion (cont'd)*

**1. Going Concern (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 2018 is appropriate after taking into consideration the following actions and measures:

Subsequent to the financial year ended 31 December 2018:

- (e) Capital injection of S\$4,000,000 in cash by way of a 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.
- (f) Conversion of payable for new ordinary shares of the Company amounting to S\$3,500,000. 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"). Dato Dr Choo Yeow Ming, a shareholder of the Company is also a director and has 55% equity interests in the Vendor.
- (g) The Company has embarked on a strategic review of the Group's existing businesses to determine the feasibility of growing and expanding these businesses, as well as to consider the feasibility of adding business consultancy, real estate related services, investment management and advisory services, subject to compliance with licencing and other regulatory requirements.
  - (iv) As part of the strategic review upon the recent corporate exercise, the Company has entered into a sales and purchase agreement with Brand X Lab Pte. Ltd. on 11 March 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;
  - (v) The Company intends to rejuvenate its medical aesthetics business by widening its involvement into Singapore, Malaysia as well as China. In addition, providing fee-based aesthetics concierge and referral services is also one of the areas which the Company is exploring to venture into. Such aesthetics concierge and referral services would provide the Group with additional revenue stream without incurring additional capital expenditure; and
  - (vi) The Company is actively exploring to build up a wealth business segment encompassing business consultancy and real estate related services and investments.
- (h) 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.

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***Bases for Disclaimer of Opinion (cont'd)***

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

The ability 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 actions and measures undertaken 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.

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

As at 31 December 2018:

- (a) The Group had provided advances totaling 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.
- (b) Goodwill amounting to S\$17,997,000 resulted from the acquisition of the Group's 51% owned subsidiary corporation, in China iMyth Company Pte. Ltd. ("China iMyth") had been fully impaired during the financial year ended 31 December 2017 (Note 18).
- (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.

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 totaling 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
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*Bases for Disclaimer of Opinion (cont'd)*

**2. Independent review on the recoverability of advances and/or loans and goodwill (cont'd)**

At the date of this report we are unable to: (cont'd)

- (c) Ascertain whether the independent review would have an impact on the Group's and the Company's ongoing business operations; and the significance of adjustments, if any, that may arise from the review, to the accompanying financial statements as the independent reviewer has yet to complete and provide details of their independent review.

The matters (a) and (b) mentioned above have been included in our modified independent auditor's report on the consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 December 2017 dated 3 April 2018.

**3. Consolidation of financial statement – iMyth Taiwan Limited**

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 2018.

We were unable to obtain sufficient audit evidence on all information and explanations, which we considered necessary to provide us with reasonable assurance on whether the financial statements of iMyth Taiwan, included in the consolidated financial statements of the Group for the financial year ended 31 December 2018 are true and fair with no material misstatement, nor are they consolidated appropriately and properly.

The matter mentioned above have been included in our modified independent auditor's report on the consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 December 2017 dated 3 April 2018.

**4. Deconsolidation of subsidiary corporation, China iMyth (Shanghai) Co., Ltd.**

The matter mentioned below have been included in our modified independent auditor's report on the consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 December 2017 dated 3 April 2018.

During the financial year ended 31 December 2017, the Group lost control over its subsidiary corporation, China iMyth (Shanghai) Co., Ltd. ("China iMyth"), as a liquidator was appointed to voluntarily liquidate China iMyth (Note 13). The Group has consolidated the financial results of China iMyth up to the date that the respective control ceased. We were unable to obtain sufficient appropriate audit evidence to determine the carrying values of the assets and liabilities, veracity of the respective components in the financial results and resultant loss amounting to S\$245,000 on the deconsolidation of China iMyth as at 31 December 2017.

As the resultant loss from the deconsolidation form part of the opening balances for the current financial year ended 31 December 2018, and we are not able to carry out alternative audit procedures to obtain sufficient and appropriate audit evidence on the opening balances, we are unable to determine the impact to current financial year's consolidated statement of comprehensive income arising from any other adjustments, if any, to these and any other opening balances.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
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*Bases for Disclaimer of Opinion (cont'd)*

*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.

*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.

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***Report on Other Legal and Regulatory Requirements***

In our opinion, in view of the significance of the matters referred to 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  
5 April 2019**