

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

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**RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT AND AUDITED  
FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021  
("FY2021")**

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The board of directors (the "Board") of Mary Chia Holdings Limited (the "Company", and together with its subsidiaries, the "Group") has on 17 September 2021 received the following queries from the Singapore Exchange in relation to the Company's annual report and FY2021 audited results.

SGX-ST Queries:

1. **Foo Kon Tan LLP ("FKT") issued a qualified audit opinion for the Group's FY2021 financial results, as FKT was unable to obtain and verify trade receivables confirmation as at 31 March 2021 from two major customers of Starting Line. As such, FKT was unable to determine the reasonableness of sales amounting to S\$398,000 for FY2021 and trade receivables of S\$560,000 as at 31 March 2021.**
  - **Please clarify who are the two major customers of Starting Line and provide their background including their financial position and performance.**

**Company's Response:**

The two major customers were existing customers of Starting Line Trading Pte Ltd ("**Starting Line**"), a subsidiary under the Monsoon Hairdressing group of companies ("**Monsoon Group**"), namely HK Leading International Logistics Services Ltd ("**HK Leading**") and Sin Ann Trading & Logistics Ltd ("**Sin Ann**"). HK Leading was incorporated in Hong Kong on 16 December 2013 and is in the business of logistics and trading. Sin Ann was incorporated in Hong Kong on 28 February 2019 and is in the business of logistics and trading. HK Leading and Sin Ann have been customers of Monsoon Group since 2018 and 2019 respectively. They were then recommended to Monsoon Group by Monsoon Group's director, Mr Lee Eng Tat's business associate.

At present, the Management is not privy to the financial position and performance of HK Leading and Sin Ann.

- **Will the Company continue to transact with these two major customers and if so, what are the commercial reasons in doing so?**

**Company's Response:**

Monsoon Group had intended to develop the Hong Kong-China market and started with these two customers. However with Covid-19 and travel restrictions, this has proven tricky. While it was the intention of the Company to continue transacting with these two major customers going forward, the Company has refrained from actively promoting sales to them, the last sales being in May 2021, until improved controls and documentations surrounding transactions with HK Leading and Sin Ann are in place. Further, given Covid-19 travel restrictions, the Company is assessing the feasibility of further developing the Hong Kong-China market to gain critical mass there.

- **Did the Company provide sufficient supporting documents of the trade receivables from these two customers to FKT for FY2021 audit? If not, why not?**

**Company's Response:**

The Company had provided the supporting purchase orders, sales contracts, invoices and bills of lading to FKT. FKT was unable to obtain and verify trade receivables confirmation as at 31 March 2021 for HK Leading and Sin Ann (although Sin Ann had fully paid by 31 March 2021). Further, as payments were made indirectly on behalf of HK Leading and Sin Ann to Starting Line, FKT was unable to verify if the receipts by Starting Line were from the two customers.

- **How long have the trade receivables been outstanding? Please also provide aging analysis.**

**Company's Response:**

S\$0.56 million of trade receivables recorded by the Group as at 31 March 2021 relates to HK Leading, all of which were below 90 days overdue as at 31 March 2021. There were no trade receivables relating to Sin Ann as at 31 March 2021. The amount received subsequent to the financial year end was S\$0.50 million. Please refer to Note 13 of the audited financial statements for FY2021 in the Company's annual report for details of the aging analysis.

- **What were the actions taken to recover these trade receivables? Please provide the Board's assessment of the recoverability of the trade receivables and whether there will be impairment.**

**Company's Response:**

Prior to the Group's acquisition of Monsoon Group, telephone chasers were made periodically by the director of Monsoon Group for the outstanding trade receivables from the two major customers. Going forward, the Company will adopt the internal auditor's recommendations to (i) establish and formalise credit evaluation policy and procedures; (ii) document follow-up actions of outstanding debts; and (iii) periodically send statement of accounts to customers.

As explained above, although the outstanding trade receivables from HK Leading amounted to S\$0.56 million as at 31 March 2021 and S\$0.06 million remains outstanding as at the date of the audited financial statements (following receipts of S\$0.50 million by Starting Line after the financial year end), both customers HK Leading and Sin Ann had been regularly and consistently paying for their purchases since they became customers of Monsoon Group. Accordingly, the Board and Management has opined that no impairment in respect of the trade receivables owing from the two customers will be required.

2. **As at 31 March 2021, the Group recorded negative working capital of S\$8.169 million with cash and cash equivalents of S\$1.562 million.**

**In the Company's announcement of its FY2021 unaudited financial results, it was stated that the Board is of the opinion that the Group can continue as a going concern and meet its short term debt obligations when they fall due as the Group continues to be (i) prudent with its cash flow planning and to take active measures to streamline its business and reduce costs, (ii) focus on new sales initiative via social media platforms to drive revenue with lower upfront costs, (iii) continued financial support from its controlling shareholder Suki Sushi Pte Ltd, and (iv) potential corporate fund-raising exercises.**

- **Please provide more information on the pro-active actions which the Management had taken to ensure that the Group's financial position remains strong.**

**Company's Response:**

Since the previous financial year, the Company has taken the following measures and actions to maintain and/or improve the financial position of the Group:

- A. Reduction in operational costs:
- (i) Non replacement of certain non-key positions of staff who has left the Group
  - (ii) Conversion of certain staff and positions from full time to part-time in view of a slowdown in operations amidst the pandemic
  - (iii) Redesign of certain job functions to carry out operations with reduced manpower
  - (iv) Re-negotiated discounts/rentals with landlords
  - (v) Consolidation of outlets, including Monsoon's
  - (vi) Reallocation of outlets and reduced size of premises
  - (vii) Reduction in advertisement and marketing expenses
- B. Increase in revenue:
- (i) Partnerships with manicure/pedicure and eyelash specialists
  - (ii) Alternative streams of income, including the successful acquisition of profitable subsidiaries (i.e. Monsoon Group); re-introduction of training courses under Spa Menu Academy and the non-binding memorandum of understanding entered into with Mobile-Health Network Solutions as announced on 2 September 2021
  - (iii) Use of alternative (online) sales platforms to increase sales and breadth of clientele and overcoming the challenges brought on by Covid-19
  - (iv) Commencement of Dr Moto Hair Aesthetic under the Monsoon Group
  - (v) Cross selling & sharing of customer data base between Monsoon Group with Mary Chia's customers
- C. Strengthening of balance sheet
- (i) Loan to equity conversion completed in March 2021
  - (ii) Continual search for funding and investors

- **Please provide information on the new sales initiatives implemented via social media platforms and whether such initiatives helped the Group to achieve higher revenue and lower costs.**

**Company's Response:**

Sales initiatives implemented via social media platforms has generated a total of S\$0.9 million in FY2021, with corresponding costs incurred of about S\$0.45 million, adding to the net profits of the Group.

- **Did the Company obtain an undertaking from its controlling shareholder to provide continuing financial support for the Group for the next 12 months?**

**Company's Response:**

The Company's controlling shareholder, Suki Sushi Pte. Ltd. ("**Suki Sushi**") had via a letter to the Company dated 28 July 2021, undertaken to provide continuing financial support to the Group and the Company for the next 12 months from the date of the letter to operate without any curtailment of operations.

- **Please provide the Board's opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3) (Going Concern) and the basis for such opinion.**

**Company's Response:**

Having considered the measures and actions taken by the Group as mentioned above, as well as the financial support from Suki Sushi, the Board is of the opinion that the Group and the Company can continue to operate as a going concern.

- **Please provide the Board's confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.**

**Company's Response:**

The Board confirms that based on the Company's announcements to date, sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner.

**BY ORDER OF THE BOARD**

Wendy Ho

Chief Executive Officer  
20 September 2021

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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.

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