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

RESPONSES TO QUESTIONS FROM SHAREHOLDERS

The board of directors (the "**Board**") of Mary Chia Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**”) would like to thank all shareholders of the Company (“**Shareholders**”) who submitted their questions in advance of the Company’s annual general meeting (“**AGM**”) for the financial year ended 31 March 2021 (“**FY2021**”). The Company’s responses to the questions received from Shareholders are set out in the **Appendix** of this announcement.

Shareholders are to note that the Company’s responses should be read in conjunction with the Company’s FY2021 annual report and the notice of AGM issued by the Company dated 15 September 2021.

BY ORDER OF THE BOARD

Wendy Ho

Chief Executive Officer
29 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.

APPENDIX

Q1A Please refer to page 124 of the Annual Report about "Segment information", particularly "Direct selling". Out of the 5 business segments, I noted that "Direct selling" segment is the only segment that enjoyed year-on-year growth in both top line ("External revenue") and bottom line ("Profit/(Loss) before taxation"). Can the Board and Management share how the Group managed to grow the revenue of "Direct selling" segment by 13.2% from $726K in 2020 to $822K in 2021 (a Covid year)?

Company's response:

Direct selling in FY21 refers mainly to sales via a facebook livestreaming platform, this mode/channel being new to the Group as compared to direct sales via traditional physical touch points. The Company strives to continue growing this segment of the business and will look for alternative modes of online sales to push its products and services going forward.

Q1B For "Direct selling" segment, as a % of revenue, its COGS (i.e. "Purchases and related costs" plus "Changes in inventories") has been well-managed at 28.2% in 2020 and 26.8% in 2021. Is the Board and Management able to manage the GPM at 71.8%-73.2% range going forward?

Company's response:

The Company endeavours to continue achieving such margins.

Q1C For "Direct selling" segment, "Other operating expenses" has successfully been lowered from $941K in 2020 to $252K in 2021. What caused the "Other operating expenses" to be as high as $941K in 2020? Do the Board and Management think "Other operating expenses" can be sustained at $252K or below going forward?

Company's response:

Refer to response provided to Question 1A. Direct selling in FY20 refers mainly to online sales to members, with a cost structure relevant to such a sales channel. The Company endeavours to keep the "Other operating expenses" as low as practicable.

Q2A Please refer to page 126 of the Annual Report about "Segment information", particularly "Taiwan". Unlike FY2020, I noted that there was no "Revenue – Sales to external customers" in FY2021. What happened to Organica Taiwan Branch's expansion in Taiwan?

Company's response:

Business activities in Taiwan are on hold in order for the Company to focus on home ground amid COVID-19 challenges.

Q2B Can the Board and Management also share more about Organica International (M) Sdn Bhd's expansion in Malaysia?

Company's response:

Malaysian operations have been adversely affected by the various Movement Control Orders ("**MCOs**") during FY2021. Given the present circumstances, the Company's main priority in the Malaysia market is to maintain its presence and market share rather than expansion.

Q3 Please refer to page 7 of the Annual Report about "Financial and operations review". In the 2nd last paragraph, it was stated that "Increase in inventories from S$0.4 million as at 31 March 2020 to S$0.8 million as at 31 March 2021 as the Group increased its purchases to facilitate online sales of beauty and wellness products". Was the increase in inventories mainly for "MU" skincare and wellness products, or for "Organica" nutrition and skincare products? Moreover, please share the website(s) for the online sales.

Company's response:

Inventories of both MU and Organica increased to facilitate livestreaming sales.
Online members site: http://www.organicaintl.com/home.html
Examples of Facebook Livestreaming site:
https://m.facebook.com/mdada.live/
https://www.facebook.com/singaporehomecooks/

Q4 Please refer to page 124 of the Annual Report about "Segment information". For "Beauty, slimming and spa treatment for men" business segment, I noted that its revenue was not insufficient to even cover Staff costs for both FY2021 and (pre-Covid) FY2020. Can the Board and Management share what went wrong at "Urban Homme Face and Body Studio for Men Pte Ltd" i.e. insufficient customer demand or inability to raise prices? What have the Board and Management planned to do about it (before Urban Homme faces any going concern issue)?

Company's response:

The demand for slimming and wellness for men is not as established and widespread (compared to women). The Company has reduced outlet size for Urban Homme Face and Body Studio for Men Pte Ltd by co-sharing premises with the outlets under Mary Chia Beauty & Slimming Specialist Pte Ltd for women, facilitating selling to clients' spouses, and offering one-stop convenience to clients. Concurrently, the Company has launched several targeted campaigns, constantly adjusting and closely monitoring the resultant outcome and long-term viability. For the avoidance of doubt, the auditors had not issued any material uncertainty relating to going concern of the Group for FY2021.

Q5 Please refer to page 49 of the Annual Report about "Basis for Qualified Opinion", particularly "Sales and trade receivables of a subsidiary". It was stated that "Starting Line's sales for the financial period ended 31 March 2021 is mainly to two major customers." For "Hairdressing" business segment and its segment revenue of $3.439m in 2021, how much did these 2 major customers (i.e. HK Leading International Logistics Services Ltd and Sin Ann Trading & Logistics Ltd) contributed towards the segment revenue in 2021?

Company's response:

The Group is unable to disclose the information as the segment revenue contribution for these 2 major customers is commercially sensitive.

Q6 Please refer to page 86 of the Annual Report about "Impairment tests for cash-generating units containing goodwill". For "Hairdressing" business segment, "Hairdressing treatments" contributed a revenue of $2.965m over 01 Dec 2020 to 31 Mar 2021 (4 months), or $741K/month on average. Are there any other trends that may affect the "Hairdressing" segment from at least maintaining its segment revenue of $741K/month on average?

Company's response:

Taking into account the uncertainty under the COVID-19 situation, the Company will endeavour to maintain its current market share by striving to stay nimble, pivoting towards trends.

Q7 Please refer to page 66 of the Annual Report about "Impairment tests for cash-generating units containing goodwill". In the 2nd last paragraph, it was stated that "A 1% decrease in future revenue growth rate would decrease the VIU of Monsoon CGU by $1,706,000 but no impairment is required." May I ask the Audit Committee how many % decrease in future revenue growth rate can be allowed before impairment in goodwill of Monsoon CGU is required?

Company's response:

If there is an indicator of impairment, the Company's valuers will recompute the VIU each year for the purpose of ascertaining whether Goodwill needs impairment.

Q8A Please refer to page 97 of the Annual Report about "Impairment testing of investments in subsidiaries". Noted that all 5 subsidiaries of Monsoon Hairdressing Group held by M2 Group Pte Ltd – Monsoon Hair House Pte Ltd, M Nature Pte Ltd, M Plus Hair Pte Ltd, Hatsuga Enterprise Pte Ltd, Starting Line Trading Pte Ltd – suffered losses allocated to NCI of -$274K, -$37K, -$90K, -$15K, -$92K respectively in FY2021. (Moreover, on page 99 of the Annual Report, it was shown that "M2 Group and its subsidiaries" actually suffered loss for the year and total comprehensive loss of -$2.552m in 2021, as well as had net liability position of -$1.023m.) With respect to the first 3 subsidiaries (i.e. Monsoon Hair House Pte Ltd, M Nature Pte Ltd, M Plus Hair Pte Ltd), what went wrong at the salons/spas? What have the Board and Management planned to do about it?

Company's response:

Management views the newly acquired Monsoon holistically with the rest of the Group, (and less as piecemeal entities) for the synergies including the ability to cross-sell products and services to a wider group of customers, which formed the basis of our acquisition. Nonetheless, Management together with the Board will continually review the viability and relevance of each subsidiary in relation to the Group. The losses were recorded before the elimination of intercompany balances and the impairment of the said intercompany balances, of about $3.3 million. Subsequent to the elimination and on consolidation, the Group recorded profits for the Monsoon Hairdressing Group.

Q8B With respect to the last 2 subsidiaries (i.e. Hatsuga Enterprise Pte Ltd, Starting Line Trading Pte Ltd), what went wrong with the "wholesale trade of cosmetics and toiletries"? What have the Board and Management planned to do about it?

Company's response:

Please also refer to the Company's response to Q8A above.

Q9 Please refer to page 100 of the Annual Report about "Acquisition of Monsoon Hairdressing Group". At point (b)(ii), it was stated that "an aggregate amount equivalent to $523,228 (fair value of $343,250 as at acquisition date) to be payable on 31 December 2021, by the Company's issue and allotment of such number of new ordinary shares in the share capital of the Company to the Seller having an aggregate value equivalent to the remainder of the Non-Cash Consideration payable based on the Issue Price, provided that the FY2021 consolidated management accounts of the Monsoon Hairdressing Group is not in a net liability position." Since "M2 Group and its subsidiaries" was in a net liability position of -$1.023m as at FY2021, can the Audit Committee confirm that this Non-Cash Consideration of "$523,228 (fair value of $343,250 as at acquisition date)" will no longer be payable on 31 Dec 2021?

Company's response:

The net liabilities stated above were mainly due to the impairment of intercompany balances in the individual companies within Monsoon. These intercompany balances along with impairments, are eliminated in assessing whether Monsoon Hairdressing Group of companies is in a net liability position as at 31 December 2021. If indeed Monsoon Hairdressing Group was in a net liability position as at 31 December 21, the abovementioned non-cash consideration of $523,228 will no longer be payable.

Q10 Please refer to page 102 of the Annual Report about "Deferred consideration". At point (e), it was stated that "An aggregate amount equivalent to $1,208,956 (fair value of $1,011,000 as at acquisition date) to be payable by 31 December 2021, by cash and the Company's issue and allotment of such number of new ordinary shares in the share capital of the Company to the Seller having an aggregate value equivalent to the remainder of the Non-Cash Consideration payable based on the Issue Price, provided that the FY2021 consolidated management accounts of the Monsoon Hairdressing Group is not in a net liability position." Since "M2 Group and its subsidiaries" was in a net liability position of -$1.023m as at FY2021, can the Audit Committee confirm that this deferred Non-Cash Consideration of "$1,208,956 (fair value of $1,011,000 as at acquisition date)" will no longer be payable by 31 Dec 2021?

Company's response:

See response to Q9 above

Q11 Please refer to page 90 of the Annual Report about "Impairment testing of investments in subsidiaries". It was stated that "During the financial year, management carried out a review of the recoverable amount of its subsidiaries and recognised an accumulated impairment loss of $4,258,000 (2020 - $4,258,000) in respect of a subsidiary with recurring losses and a deficit in shareholder's equity. Just to confirm, is this "subsidiary with recurring losses and a deficit in shareholder's equity" referring to "Hotel Culture Pte Ltd"?

Company's response:

The accumulated impairment was brought forward from previous years. It related to subsidiaries in net liability positions then.

Q12 Please refer to page 98 of the Annual Report about "Subsidiaries". Noted that Hotel Culture Pte Ltd suffered from net liability position of -$3.655m in 2020 and -$2.734m in 2021 (two consecutive years). What went wrong at this investment holding company? Will there be any going concern issue? What have the Board and Management planned to do about it?

Company's response:

Hotel Culture has been inactive since FY2018 following the disposal of property at 48, 49 and 50 Mosque Street. The net liability change was due to an adjustment to intercompany balances, which do not affect the Group.

Q13 Please refer to page 30 of the Annual Report about "Corporate governance report". In the 3rd paragraph, it was stated that "The Management is committed and has taken steps to remediate these identified material weaknesses and continue to review and evaluate its internal controls over financial reporting and operations. The Management will update the AC and the Board on the implementation status for the IC Rectifications". It has been more than 5 months since FYE2021. May I ask the Audit Committee what is the estimated % of implementation of IC Rectifications? When is the implementation of IC Rectifications likely to complete?

Company's response:

Rectification has been substantially completed, the target completion of remaining implementations by 31 December 2021.

Q14 Please refer to page 109 of the Annual Report about “Trade and other payables”. While revenue has only increased by 6.3% from $8.791m in 2020 to $9.342m in 2021, may I ask the Audit Committee why “Trade payables – third parties” have increased as much as 7.8 times from $268K in 2020 to $2.101m in 2021?

Company’s response:

The increase of trade and other payables mainly arise from the acquisition of Monsoon Hairdressing group of companies which was acquired in November 2020, and for product purchases.

Q15 Please refer to page 109 of the Annual Report about “Trade and other payables”. Noted that there were $2.373m of “Other payables – third parties” which were non-trade in nature. It appeared unusual as it was even more than “Trade payable – third parties”. What were the nature of $2.373m “Other payables – third parties” (non-trade)? Can the Audit Committee please provide a breakdown?

Company’s response:

The “Other payables – third parties” refers mainly to rentals, professional fees, renovation vendors, payroll.

Q16 Please refer to page 104 of the Annual Report about “Trade and other receivables”. While revenue has only increased by 6.3% from $8.791m in 2020 to $9.342m in 2021, may I ask the Audit Committee why “Trade receivables” have increased as much as 7.5 times from $120K in 2020 to $895m in 2021? How much of this $895K trade receivables have been collected so far?

Company’s response:

The trade receivables mainly arises from the acquisition of the Monsoon Hairdressing group of companies that was completed in November 2020, the bulk of which has been received after the financial year ended 31 March 2021.

Q17 Please refer to page 87 of the Annual Report about “Plant and equipment”. There was “Additions” in “Renovations” of $535K in 2021. Where were these renovations?

Company’s response:

The renovations were carried out at subsidiaries’ outlets including Monsoon’s.

Q18 How will the capex trend be like over the next 2-3 years? How will they be funded?

Company’s response:

The capex of the Group is expected to remain relatively stable for the next 2-3 years as there will be continual replacement and upgrading of plant and equipment and renovation of outlets which is consistent with previous years, it is expected to be funded through internal resources or fresh equity capital, if necessary.