

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 2022**

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, Mazars LLP (the "**Auditors**"), have included a disclaimer of opinion (the "**Disclaimer of Opinion**") in their Independent Auditors' Report dated 11 November 2022 (the "**Independent Auditors' Report**") in relation to the consolidated financial statements of the Group and the Company for the financial year ended 31 March 2022 ("**FY2022**") (the "**Financial Statements**").

The bases for the Disclaimer of Opinion are contained in the Independent Auditor's Report, a copy of which, together with the relevant extract of Note 2.1 to the Financial Statements, 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. Sales and trade receivables of a subsidiary

Auditor's Disclaimer Opinion

"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 amounting to \$398,000 for the financial period ended 31 March 2021 and trade receivables of \$560,000 as at 31 March 2021 was from two major customers. The predecessor auditor was unable to obtain trade receivables confirmations as at 31 March 2021 from these two customers and was also unable to verify whether the receipts by the subsidiary were from the two customers during the financial period ended 31 March 2021. Consequently, the predecessor auditor was unable to determine that these sales and trade receivables are fairly stated."

Board's Response

The Board wishes to highlight that the two customers are from China and due to the strict Covid-19 movement restrictions implemented in China, the Company was unable to engage the two customers as effectively, for the audit confirmation and for any supporting documents for audit verification.

Notwithstanding the above strict Covid-19 movement restrictions implemented in China, the Company have proactively taken steps to recover back the accounts receivable from the two Chinese major customers was approximately S\$0.56m as at 31 March 2021, and that amount had since been settled fully in FY2022.

2. Opening balances

Auditor's Disclaimer Opinion

“Due to the limitation in scope imposed by management in consideration of the additional costs and time required for us to perform the review of opening balances as at 1 April 2021, we were 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.

Since opening balances as at 1 April 2021 affect the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 March 2022, as well as how the balances presented in the Group's and Company's statements of financial position as at 31 March 2022 were derived, we were unable to determine whether adjustments might have been found necessary in respect of the Group's and the Company's financial statements for the financial year then ended.”

Board's Response

The Board wishes to highlight that Mazars were unable to review FKT's audit work papers. A re-audit of the opening balances by Mazars was not feasible due to time and high-cost constraints. In this connection, the Company intends to resume a re-audit on the Opening balances for FY2022 after the FY2022 AGM.

3. Insufficient supporting documentation and records

Auditor's Disclaimer Opinion

“As of the date of this report, we were 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 the financial year ended 31 March 2022. We encountered significant challenges during the course of our audit as management was unable to retrieve and provide the aforementioned corresponding information and documents by the regulatory deadline.

The Group has faced attrition in the finance team. Consequently, we were unable to satisfy ourselves on the appropriateness of the carrying amount of all the assets and liabilities recorded in the statement of financial position as of 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, we were unable to quantify the adjustments or disclosures that might be necessary to the financial statements of the Group and the Company for the financial year ended 31 March 2022.”

Board's Response

The Board wishes to highlight that the difficulties experienced by the Auditors arose due to a series of organisational and operational restructuring exercises that were undertaken with the intention of streamlining the Group's operational processes amid the tight labour market. The restructuring exercise resulted in high staff attrition within the Group and Company, including the loss of several key personnel within the finance team who had the relevant background information on the historical financial information of the Group and who understood the requirements of an audit. The general tight labour market also rendered the staff more mobile when exploring alternative career options and moves.

With their departure at short notice, such responsibilities were not sufficiently handed over to the rest of the finance team, resulting in difficulties in the coordination of the audit process, which includes facilitating information requests between the Auditors and the relevant departments within the organisation. While the team had provided full cooperation to the Auditors during the course of the audit, they generally required a longer response time to the Auditor's requirements. Further, it being the Auditor's first year auditing the Company, they would require complete documentation of what ordinarily would have been an update to their permanent audit files. Their approach, working style, template and formats were also different. Consequently, the finance team was not able to collate and compile the supporting documents and/or provide sufficient explanations within the timelines requested by the Auditors for the completion of the audit.

In stabilising and strengthening the finance team, the Group seeks to expand and upgrade staff skills and competency as a retention tool. The Group has implemented a skills gap assessment of the finance team and (i) requires existing members of the team to undergo the relevant training and (ii) recruited new members mainly with a higher tertiary qualification (diploma and accountancy degree holders) of experience/skills, creating a knowledge pool with backup capabilities within the finance team.

The Group and the Company intend to resume a re-audit on FY2022 after the FY2022 AGM.

4. Going concern assumptions

Auditor's Disclaimer Opinion

"As at 31 March 2022, the Group's and Company's current liabilities exceeded its current assets by \$10,814,000 and \$4,522,000 respectively while the Group and Company had a net capital deficiency of \$5,533,000 and \$2,015,000 respectively. The Group has also recorded a net loss and total comprehensive loss of \$1,289,000 and \$1,267,000 for the financial year ended 31 March 2022. 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. As disclosed in Note 2.1 to the financial statements, notwithstanding the above-mentioned, the directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis.

The ability of the Group and Company to continue as going concern is dependent on their abilities to generate 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 that the holding company has given a written 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.

We were unable to obtain sufficient appropriate audit evidence to support the management's use of the going concern assumption in their preparation of the financial statements as we were unable to assess the ability of the holding company to provide the financial support to the Group and Company. Should the going concern assumption be inappropriate, non-current assets will need to be reclassified to current assets and adjustments may have to be made to the financial statements to reflect the situation that assets may need to be realised at the amounts other than that are currently recorded in the statement of financial position as at 31 March 2022.

In addition, the carrying amount of liabilities may be materially different from the amount currently recorded in the statement of financial position and provision may need to be made for any additional future expenses to be incurred subsequent to the reporting date.”

Board's Response

The Board wishes to highlight that the corporate shareholder is currently in the midst of a transaction, which would generate net proceeds far in excess of the Company's cash requirements, lending credence to its written financial undertaking to the Company.

In the meantime, the Company may also explore a rights issue or share placement to raise additional working capital for the Group and/or to seek a shareholder loan from the corporate shareholder.

In addition, the Group has also provided cash flow forecasts and assumptions to the Board and auditors 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.

In view of the foregoing, the Directors are of the view that the Group is able to continue operating as a going concern.

Notwithstanding that the Auditors have included a Disclaimer of Opinion in their Independent Auditors' Report dated 11 November 2022, 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 have been provided for the trading of the Company's shares to continue.

The Independent Auditors' Report and a complete set of Financial Statements will also be contained in the Company's Annual Report for FY2022 ("**FY2022 Annual Report**"), which will be released on SGXNET on 11 November 2022. Shareholders of the Company are advised to read this announcement in conjunction with the FY2022 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
11 November 2022

This announcement has been reviewed by the Company's sponsor, Evolve Capital Advisory 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 Mr Jerry Chua (Tel: (65) 6241 6626), at 138 Robinson Road, Oxley Tower, #13-02, Singapore 068906.