

MARY CHIA HOLDINGS LIMITED
Company Registration No. 200907634N
(Incorporated in Singapore)

**RESPONSE TO SGX QUERIES ON THE UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND
ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

The board of directors (the "**Board**" or "**Directors**") of Mary Chia Holdings Limited (the "**Company**"), and together with its subsidiaries, the "**Group**") has on 20 August 2020 received the following query from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to its unaudited financial statements for the full year ended ("**FY**") 31 March 2020 released on 19 August 2020 (the "**Announcement**"), and sets out its response as follows:

SGX-ST Query:

As stated in the Announcement, the key reason for the Group's significant net loss in FY2020 as compared to FY2019 was largely due to the total impairment of property, plant and equipment and right-of-use assets of \$6 million in FY2020, partly offset by decrease in member incentives of \$0.4 million. The Company stated that the impairments were considered prudent given the uncertain business outlook caused by Covid-19.

Please provide an explanation on the basis and assumptions made on the adopted impairments amount.

Was the \$6 million reviewed by external professionals such as the Company's statutory auditors?

Company's Response:

The impairment of property, plant and equipment amounting to approximately S\$1.5 million and right-of-use assets of approximately S\$4.5 million were mainly in relation to renovation of outlets and outlet equipment, and the lease of outlets respectively.

In arriving at the impairments, the Management had considered the following main factors in consultation with its statutory auditors:

- (i) The Circuit Breaker measures implemented by the Singapore Government has resulted in the closure of 1 out of 9 Singapore outlets from 7 April 2020 to 1 June 2020 inclusive, and the remaining 8 outlets from 7 April to 18 June 2020 inclusive. Although the outlets in Singapore are allowed to open in the last two months, business has been relatively slow and the market remains challenging. In Malaysia, the Group's 6 outlets were closed from 18 March 2020 to 9 June 2020 inclusive, following the Movement Control Order implemented by the Malaysian Government. Similarly, while the outlets in Malaysia have since reopened and business resumed, pick up has been slow. There are great uncertainties as to when business activities would return to the pre-Covid levels.
- (ii) Although there are signs that the Covid-19 situation in Singapore is gradually under control, several countries in Asia and the rest of the world are experiencing a second wave of outbreak. There is a risk that Singapore may experience the same i.e. further outbreaks

in the near future which poses uncertainties about the global economic conditions in the near term.

- (iii) Due to the uncertain business conditions presented by Covid-19, the Group has taken the necessary measures to control major operating costs in its beauty, wellness, slimming and spa treatment, which mainly comprised of staff costs and the lease of outlets. The cost control measures implemented include, amongst others, freezing of headcount and critically reviewing the necessity of replacements, re-assigning duties, as well as outsourcing and replacing permanent positions with contract positions where feasible.
- (iv) The Group had also decided to and had given notice to terminate one of its leases effective 1 September 2020 as a prudent cost control measure, and will renegotiate for better lease terms for its remaining outlets.
- (v) Notwithstanding the Group's efforts at streamlining its business operations and reducing its operating costs, the Group after having considered the impact of Covid-19, including the projected decrease in sales and the uncertain outcome over the next few years on its cash flows, consulted with its auditors on the need to provide impairments of its assets. Considering the Group's negative operating cash flow in FY2020 and all the above, the Group, in consultation with its auditors are of the view that it is prudent and appropriate to provide for the impairments to its property, plant and equipment and its right-of-use assets. The impairments of the property, plant and equipment and the right-of-use assets amounting to approximately S\$1.5 million and S\$4.5 million respectively has been reviewed and accepted by the statutory auditors.

By Order of the Board

Ho Yow Ping (He YouPing)
Chief Executive Officer
21 August 2020

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 Tay Sim Yee (Tel: (65) 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 04854.