



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Mary Chia Holdings Limited

Security: Mary Chia Holdings Limited

Meeting details:

Date: 28 September 2018

Time: 9.00 a.m.

Venue: 26 Tai Seng Street #07-02 Singapore 534057

Company Description

Mary Chia Holdings Limited, an investment holding company, provides lifestyle and wellness services for women and men in Singapore and Malaysia. It offers beauty and facial, slimming, and spa and massage services, as well as aesthetics treatment, clinic, and other general medical services. The company operates lifestyle and wellness centers for women under the Mary Chia brand; for men under the Urban Homme brand; for professionals, managers, executives, and businessmen (PMEBs) under the GO60 and LPG Endermospa brands; for families under the Masego brand; for tourists and PMEBS under the Huang Ah Ma brand; and for medical aesthetics under the Scinn Medical Centre and MCU Beautitudes brand names. It also engages in the sale of lifestyle and wellness products under the MU brand at its lifestyle and wellness centers; and distribution and direct sale of skin care and nutrition products under the brand of Organica. Mary Chia Holdings Limited was founded in 1982 and is based in Singapore. As of August 24, 2017, Mary Chia Holdings Limited operates as a subsidiary of Suki Sushi Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=50X)

1. FY2018 was a watershed year for the group as the founder sold her stake in the group to her daughter and son-in-law and stepped down as executive chairman and director of the company. The new ultimate controlling shareholder, Suki Sushi Pte. Ltd, majority owned and controlled by Jason Lee Boon Leng, launched a mandatory unconditional cash offer at 11.03 cents a share. As at 31 August 2018, the new controlling shareholder has a stake of 67.57% with Ms Ho Yow Ping (He YouPing), the CEO and spouse of Mr Lee Boon Leng, holding a direct 19.99% stake.

Mr David Yeung was appointed independent non-executive chairman on 10 September 2018.

On the operational side, as at 31 March 2018, the group has 15 retail outlets, down by 3 branches from a year ago as it continues to streamline its operations. The bright spark in the group is the direct selling business which saw a big jump in its revenue to \$0.5 million. The group disposed of its 51% interest in Hotel Culture Pte. Ltd. which holds the hotel property at 48, 49 and 50 Mosque Street.

The new controlling shareholder, then as the offeror, had declared its intention to undertake a strategic and operational review of the group's business with a view to strengthening the group's financial position, to seek new opportunities and to pursue a diversification strategy.

- (i) Would the company update shareholders on the progress of the strategic and operational review?**
- (ii) Who is leading the strategic and operational review?**
- (iii) Please also help shareholders understand the new opportunities and the diversification strategy of the group.**
- (iv) Before the group proceeds with any major transactions/changes in strategic direction, would the board consider it opportune to also review and assess the core competencies of the group, its management and its financial strength so as to fine-tune its strategy in order to create long-term sustainable value for all the shareholders?**
- (v) In addition, can management provide an overview of the strategic plans for Organica, the group's direct selling business? Please include the key products, the major markets, the key management personnel etc. How much resources will the group be committing to grow this business?**

2. On 12 September 2018, the company announced that the independent auditor has, without modifying their opinion, included a material uncertainty related to going concern section in their Independent Auditor's Report on the audited financial statements of the Group for financial year ended 31 March 2018.

The group incurred losses attributable to the equity holders of the company of \$(5.85) million in 2018 and \$(6.13) million in 2017. Total equity also dropped from \$23.7 million

to \$(2.2) million in the past year. This was mainly due to a dividend of \$20.58 million paid out to non-controlling interests of Hotel Culture Pte. Ltd..

(i) Can the board/management help shareholders understand the rationale for the dividend paid to the non-controlling interests?

As at 31 March 2018, the group had negative working capital as the current assets exceeded current liabilities by \$284,000 and the group continues to record cash outflow due to operating activities of \$(1.64) million in 2018. As disclosed in Note 2 (page 44 – Going concern), the holding company has given an undertaking to provide financial support to the group for the next 12 months to allow it to operate without any curtailment of operations.

Even with the monetisation of the group's real estate (through the sale of the 51% stake in Hotel Culture Pte. Ltd), the group's gearing ratio will improve to 0.02x and the net tangible asset of the group is estimated to be \$7.0 million.

(ii) Has the board evaluated the group's optimal capital structure and assessed the need to further strengthen its financial position to support the group's strategic plans?

3. The audit committee (AC) comprises Mr David Yeung (as chairman), Mr Pao Kiew Tee and Mr Periowsamy Otharam (appointed on 17 April 2017).

On 12 September 2018, the company announced that there are material variances between the Unaudited Results (first announced by the company on 31 July 2018) and the audited financial statements for FY2018 after the finalisation of audit.

Reasons given included:

- Fair value adjustments on the interest-free loans
- De-recognition of S\$4.5 million related to 7% GST payable on the S\$64.8 million proceeds from the proposed disposal of properties
- Reclassification of movements of amounts due to related parties S\$0.7 million in working capital changes, in which the amount was previously included as part of cash from financing activities

The company has also announced material adjustments for the financial year ended 31 March 2017 and 31 March 2015. In the last **four** financial years, the company had to make material adjustments **three** times following the finalisation of audit.

It is the responsibility of management to prepare the financial statements to give a true and fair view in accordance with the provisions of the Act and FRSSs.

(i) How can shareholders get the assurance from management that the financial statements are prepared in accordance with the provisions of the Act and FRSSs?

- (ii) Has the (AC) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**

- (iii) As the directors have responsibilities to oversee the group's financial reporting process, can the directors, especially the directors in the AC, help shareholders understand their individual and collective efforts in the preparation of the group's financial statements so as to give a true and fair view in accordance with the provisions of the Act and FRSs?**

- (iv) Please provide shareholders with a detailed plan of the improvements to be made to the group's financial reporting processes.**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Mary%20Chia%20Holdings%20Ltd>

The company's response could be found here: -----