



MEDI LIFESTYLE LIMITED

(Company Registration Number 201117734D)
(Incorporated in the Republic of Singapore on 26 July 2011)

RESPONSE TO SGX QUERIES ON 12M2022 RESULTS ANNOUNCEMENT

INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of Medi Lifestyle Limited (the "**Company**", and together with its subsidiaries, the "**Group**") has received the following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in respect of its announcement dated 27 February 2023 (the "**Announcement**"), in relation to the fourth quarter and full year results ended 31 December 2022 ("**FY2022**") and wish to provide its responses below.

Unless otherwise defined, capitalized terms used herein shall bear the same meanings ascribed to them in the Announcement.

SGX-ST'S QUERIES

1. The Group recorded current liabilities of RM8.7 million for FY2022, of which almost 85% are due to other payables and other provisions of RM7.4 million. Out of the RM7.4 million of other payables and other provisions, majority was attributed by accruals (RM2.2 million) and other payables (RM3.1 million).
 - a. Please disclose a breakdown of the other payables, and the aging and nature of these other payables and whether the counterparties are related parties.
 - b. Please provide details of accruals of RM2.2 million, the reasons for the advance, the use of proceeds and the identity of the counterparty

Company's Response:

- (a) Other payables are due within the next 12 months from the balance sheet date. Notwithstanding, the Group has received a letter of undertaking from a creditor to not demand for amounts owing to them amounting to approximately RM1.6 million until the Group's resources permit. None are due to related parties.

Other payables	As at 31 Dec 2022 (RM'000)
Professional services ⁽¹⁾	561
Amounts due to third parties ⁽²⁾	2,086
Rentals due & Sublease deposits	460
Total	3,107

Notes:

- (1) *Professional services are mainly for corporate statutory and sponsor services.*
- (2) *Amounts due to third parties includes mainly amounts owing for the renovation and development of confinement centres as well as operating expenses. The letter of undertaking from a creditor of RM 1.6 million is included in this amount.*

(b)

Accruals	As at 31 Dec 2022 (RM'000)
Director remuneration	757
Staff remuneration	589
Audit and non-audit fees	545
Other professional services ⁽¹⁾	260
Total	2,150

Note:

(1) *Other professional services mainly relates to corporate support services.*

2. **Given the Group's significant liabilities of RM11.7 million and cash and bank balance of RM0.51 million as at 31 December 2022, and noting that the Company incurred losses of about RM5.0 million in FY2022, please disclose the Board's assessment**
- whether the Company's current assets are adequate to meet the Company's short term liabilities, including its bases of assessment; and**
 - how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations**

Company's Response:

Based on the FY2022 Unaudited Financial Results Announcement, the Group and the Company recorded net current liabilities amounting to RM7.3 million and RM0.5 million as at 31 December 2022 respectively.

Barring any unforeseen circumstances and having the considered the following, the Company will be able to meet its short term liabilities and significant payment obligations in the next 12 months:

- The successful fund-raising in October 2022 and February 2023 of non-redeemable convertible loan notes with an aggregate principal sum of S\$0.75 million (RM2.5 million) and a tenure of two years;
- The rollover of outstanding convertible loans entered into in January 2021 of S\$0.2 million (RM0.6 million) until 31 October 2025;
- Letter of undertaking from a creditor to not demand for amounts owing to them amounting to approximately RM1.6 million until the Group's resources permit; and
- Letter of financial support from a substantial shareholder who has agreed to provide up to S\$5.0 million (RM 16.6 million) for the Group to meets its liabilities and its normal operating expenses as and when required.

Further, the Board wishes to update that as part of the Group's planned fund-raising efforts to raise up to S\$3.0 million, the Group had in mid-February 2023 entered into a non-binding term sheet with an investment fund. The parties are currently in negotiations and will update Shareholders by way of an announcement in due course when the definitive agreement has been signed.

To ensure the Group remains a going concern, the Board and Management is continuously reviewing the strategic plans for the Group, taking into consideration the macro-economic environment. The Group will continue to look-out for opportunities in the healthcare and wellness space, with its near term focus being (i) the setting up of less capital intensive chiropractic and physiotherapy centres and (ii) development of health and wellness related services and products including DNA profiling, health screening and cell therapy products.

3. **The Group's principal activities are in the Healthcare and Wellness sector, which includes 1 postpartum care centre and 2 chiropractic and physiotherapy centres in Malaysia. It is disclosed that out of the Group's FY2022 revenue of RM2.4 million is contributed by the continuing operations in Singapore**
- Please explain why majority of the Group's revenue is attributed by the outsourced services in Singapore when the Group's core business is in the healthcare and wellness sector in Malaysia**
 - Please clarify the Company's plans going forward, including its business focus and its plans to turn the Company**

Company's Response:

- a. As disclosed in the Company's announcement dated 4 October 2021 in relation to the Group's acquisition of Impact BPO Sdn Bhd ("**IBSB**") and Impact BPO Services Pte Ltd ("**IBPL**"), the Group's operating activities in the Healthcare and Wellness Business has helped to identify a latent demand and need for qualified and experienced manpower in the healthcare and wellness space in Singapore and Malaysia. Leveraging on the management team's experience and business networks in the healthcare and wellness industry, the acquisition of IBSB and IBPL complements the Group's current offerings by providing experienced healthcare professionals required at its postpartum, chiropractic and physiology centres while at the same time provides an additional revenue stream. Due to the prolonged Covid-19 environment and the gradual recovery from it, the Group had to delay the development of its postpartum and chiropractic and physiotherapy centres in Singapore. In comparison, there is an increased demand for outsourced services in Singapore due to general labour shortages and this has led the Group to offer such services beyond the healthcare and wellness space.

Notwithstanding, the Group is establishing a collaboration and sales network for its healthcare and wellness products and services in Singapore. As announced on 4 January 2023, the Group secured the marketing, sales and distribution rights of cell and cell-free products for the Singapore market. On 8 January 2023, the Group announced the product notification submission to Singapore Health Sciences Authority of a stem cell derived skin care product.

- b. As mentioned above, to ensure the Group's financial position remains strong, the Board and Management is continuously reviewing the strategic plans for the Group, taking into consideration the macro-economic environment. The Group will continue to look-out for opportunities in the healthcare and wellness space in Singapore and Malaysia, which remains the key focus of the Group.

4. **The Group has unutilized proceeds from past fund-raising exercises in July 2022 and October 2022 amounting to S\$187,000, which is meant for the Group's working capital needs**
 - a. **Please provide reasons for the Company's further fund-raising in February 2023 to raise a further S\$70,000 for working capital.**
 - b. **What are the internal controls put in place by the Company to safeguard the proceeds raised so far?**

Company's Response:

- a. Based on the cash flow projection for the next 12 months prepared by Management and reviewed by the Board, it is estimated that the Group will require approximately S\$3.0 million to meet its expansion plans and working capital requirements. As there is a gestation period for each chiropractic and physiotherapy centre set up by the Group as well as its new business opportunities to be embarked on, the Company continues to explore fund-raising opportunities to ensure sufficient liquidity until the business matures.
- b. The finance function monitors the use of proceeds raised from fund-raising exercises and provides and update to the Audit Committee ("**AC**") on a regular basis. Where there are material disbursements or changes to any use of proceeds, the finance function will update the AC and obtain the necessary approvals.

5. **In preparing the Group's FY2022 financials on a going concern basis, the management has assumed future fund raising exercises as a basis, amongst others. In particular, the management has represented that the Group needs to raise new capital of up to S\$3.0 million to repay the S\$0.15 million convertible loans and service the interest payments on non-redeemable loan notes issued in October 2022 and February 2023 with aggregate principal sum of S\$0.75m. The Group also plans to spend on capital outlays of up to S\$0.4 million, subject to sufficient funds being raised**
 - a. **Is the Company dependent on the future fund raisings to operate as a going concern?**
 - b. **What are the Board's alternative plans in the event that the Company is unable to raise further funds to support its ongoing operations?**
 - c. **Please provide the Board's and Sponsor's reassessment of the Company's ability to operate as a going concern based on the definite events which have materialized.**

Company's Response:

Kindly refer to the response provided to Question 2 above. Other than fund-raising activities, the Group is comforted by the financial support it has received from various parties including:

- (i) a letter of undertaking from a creditor to not demand for amounts owing to them amounting to approximately RM1.6 million until the Group's resources permit; and
- (ii) a letter of financial support from a substantial shareholder who has agreed to provide up to S\$5.0 million (RM 16.6 million) for the Group to meet its liabilities and its normal operating expenses as and when required.

Further, the Company would also highlight, with respect to the recent convertible loan note agreements entered by the Company in October 2022 and February 2023, it is at the discretion of the Company to either (a) repay the principal sum; or (b) to convert the aggregate principal sum into conversion shares in accordance with the terms of the agreements.

The Group will continue to pro-actively review its business strategies and their feasibility, be prudent with cost management and will where necessary, negotiate with creditors and vendors to ensure commitments can be met.

Having regard to the above, the Board and Sponsor have assessed that the Company and the Group should be able to meet its working capital commitments for the next 12 months and to operate as a going concern.

By Order of the Board

Low Koon Poh
Executive Chairman & Chief Executive Officer
2 March 2023

MEDIA CONTACT

For media queries, please contact;

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*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**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, at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542, telephone: (65) 6232 3210.