



MEDI LIFESTYLE LIMITED

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalyst of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the board of directors (the “**Board**” or “**Directors**”) of Medi Lifestyle Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s Independent Auditors, Mazars LLP (the “**Auditors**”) has included a Material Uncertainty Related to Going Concern section in their report (the “**Independent Auditors’ Report**”) on the audited financial statements of the Group and Company for the financial year ended 31 December 2022 (“**FY2022**”) (the “**Audited Financial Statements**”). The opinion of the Auditors is not modified in respect of this matter.

The Independent Auditors’ Report is annexed to this announcement for information purposes. The Independent Auditors’ Report and the Audited Financial Statements will form part of the Company’s Annual Report for FY2022 (the “**2022 Annual Report**”) which will be released to the shareholders of the Company (the “**Shareholders**”) in due course. Shareholders are advised to read the Independent Auditors’ Report and the 2022 Annual Report in their entirety.

Going Concern

The following is an extract of Note 1 to the Audited Financial Statements pertaining to the subject of this announcement:

Note 1:

“As at 31 December 2022, the Group was in a capital deficiency position of RM8.7 million and its current liabilities exceeded its current assets by RM7.0 million. In addition, the Group incurred a net loss of RM4.3 million and net operating cash outflow of RM2.1 million for the financial year then ended. The Company had a net current liability position of RM3.1 million as of 31 December 2022. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. To support the financial statements having been prepared on a going concern basis and to ensure the adequacy of funds required to meet its obligations, working capital and capital commitment needs, the Group has prepared consolidated cash flow forecasts (“Cash Flow Forecast”). In preparing the Cash Flow Forecast, management has taken the following into consideration:

- a) New capital to be raised of at least RM9.9 million (approximately S\$3.0 million) to finance capital outlays set in (b) below and to repay convertible loans and interest payables, which is subject to conditions, including:
 - i) the approval of the shareholders for the proposed issuance of convertible bonds of up to RM99,000,000 (approximately S\$30,000,000) and the proposed share consolidation at an extraordinary general meeting;
 - ii) SGX-ST approval for the listing and quotation of the consolidation shares and the conversion shares on the Catalyst; and
 - iii) continuing financial support of the convertible bond holder;
- b) The Group plans to spend on capital outlays of up to S\$0.4 million, subject to sufficient funds being raised, which are required for 4 new chiropractic and physiotherapy centres, and such a sum is not yet contractually committed. The chiropractic and physiotherapy centres are expected to commence operations over the course of 2023; and
- c) a letter of undertaking from a third-party creditor to not demand for the amounts owing to them of approximately RM1.4 million until the Group’s resources permit.

The ability of the Group to fulfil its obligation is dependent on its ability to raise new capital via proposed issuance of convertible bonds as mentioned in (a) to primarily finance (i) the capital expenditure for its new healthcare business; (ii) repayment of its convertible loans and interest payables and (iii) for the Group’s working capital purposes.

The events or conditions set out above indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. If the going concern assumption is no longer appropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities, respectively. Such adjustments have not been made to these financial statements.

Notwithstanding the above, the directors and management are confident that the Cash Flow Forecast is achievable and will allow the Group to fulfil its obligations as and when they arise. Accordingly, the directors have prepared the financial statements on a going concern basis."

Board's Comments

Barring any unforeseen circumstances, the Directors are of the view that it is appropriate for the Audited Financial Statements of the Group and Company to be prepared and presented on a going concern basis, having regard to the following:

- (i) potential additional corporate fund-raising, including private placements and debt instruments, including proposed issuance of convertible bonds of an aggregate principal of up to S\$30,000,000 as announced on 15 March 2023. The proposed issuance of convertible bonds is subjected to the Group's fulfilment of conditions precedent of the convertible bond subscription agreement including (a) shareholder's approval for the issuance of convertible bond and the proposed share consolidation and (b) SGX-ST approval for the listing and quotation of the consolidation shares and the conversion shares on the Catalist;
- (ii) letters of undertaking have been obtained from two creditors, to not demand repayment of the amounts owing to them approximately of RM1.6 million until resources permit;
- (iii) letter of financial support from a substantial shareholder who has agreed to provide up to S\$5.0 million for the Group to meet its liabilities and its normal operating expenses as and when required; and
- (iv) the Group's estimated revenue from Healthcare Services and Outsourced Services for the next 15 months.

Further, the Board is of the opinion that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner and the Board is not aware of any material information that requires disclosure but remains undisclosed as of the date of this announcement.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. When in doubt, shareholders and potential investors are advised to seek independent advice from their bankers, stockbrokers, solicitors or other professional advisers.

By Order of the Board

Dato' Low Koon Poh
Executive Chairman & Chief Executive Officer
13 April 2023

MEDIA CONTACT

For media queries, please contact;

Medi Lifestyle Limited

Corporate Communications Department

Tel: +65 6299 9881

Jeysie Wong (Mobile +60 13 257 2787, Email: jeysie.wong@medi-lifestyle.com)

*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.

Independent Auditors' Report

To the members of Medi Lifestyle Limited

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Medi Lifestyle Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group, and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 55 to 113.

In our opinion, the accompanying financial statements of the Group and the statements of financial position and changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Group and statement of changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the accompanying financial statements, which indicates that as at 31 December 2022, the Group was in a capital deficiency position of RM8.7 million and its current liabilities exceeded its current assets by RM7.0 million. In addition, the Group incurred a net loss of RM4.3 million and net operating cash outflow of RM2.1 million for the financial year then ended. The Company had a net current liability position of RM3.1 million as of 31 December 2022. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The ability of the Group to fulfil its obligations is dependent on its ability to raise new capital via proposed issuance of convertible bonds as mentioned in the Note 1 to primarily finance (i) the capital expenditure for its new healthcare business; (ii) repayment of its convertible loans and interest payables and (iii) for the Group's working capital purposes. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

Materiality

As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Independent Auditors' Report

To the members of Medi Lifestyle Limited

Report on the Audit of Financial Statements (Continued)

Scope of audit

For the audit of the current financial year's financial statements, we identified 8 significant components which required a full scope audit and audit of specific account balances and transactions of their financial information, either because of their size or/and their risk characteristics.

Out of the 8 significant components, 5 were audited by other Mazars offices as component auditors under our instructions and the remaining 3 were audited by us. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

Area of focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

| Matter | Audit response |
|--|---|
| <p>Impairment of investment in subsidiaries (refer to Note 3.2 and Note 15 to the financial statements)</p> <p>As at 31 December 2022, the carrying amount of the Company's investments in subsidiaries was RM7.1 million (31 December 2021: RM5.4 million) and this constitutes 99% of the total assets recorded on the statement of financial position of the Company.</p> <p>Management has carried out an impairment assessment to determine whether the recoverable amounts of the investments in subsidiaries and loans deemed as investments in subsidiaries are less than the carrying amounts. Management determined the recoverable amounts based on value-in-use calculation on a cash-generating unit ("CGUs") basis or on a subsidiary basis as appropriate in accordance with SFRS(I) 1-36 so as to determine whether the investee company is impaired.</p> <p>The recoverable amounts are determined by estimates of value-in-use of the respective CGUs, using various inputs and assumptions such as discount rate and growth rates.</p> <p>The determination of impairment of investment in subsidiaries involves significant judgement, which may have significant impact on the financial statements.</p> | <p>Our audit procedures included, and were not limited to, the following:</p> <ul style="list-style-type: none"> ● We assessed for any indication of impairment with reference to SFRS(I) 1-36; ● We reviewed the reliability, consistency and the reasonableness of the assumptions made in the preparation of the cash flow projection by the management in compliance with SFRS(I) 1-36, for subsidiaries which have shown indications of impairment; ● We assessed and where found necessary, critically challenge judgements and estimates used by management in the preparation of the cash flow projection in consultation with internal valuation expert; ● Reviewed the sensitivity analysis to assess the impact on the recoverable amount of the cash-generating units subsequent to reasonably possible changes to the key assumptions and adequacy of disclosure in the financial statements; and ● We reviewed the completeness and appropriateness of corresponding disclosures made in the financial statements. |

Report on the Audit of Financial Statements (Continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report

To the members of Medi Lifestyle Limited

Report on the Audit of Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary entities incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Mr Ooi Chee Keong.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
12 April 2023