



MEDI LIFESTYLE LIMITED

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

RESPONSE TO SGX QUERIES ON FY2023 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 26 February 2024 (the "**Announcement**"), in relation to the fourth quarter and full year results ended 31 December 2023 ("**FY2023**") 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. We note that the Company's other operating expense of RM0.6 million for FY2023 was due mainly to (i) RM0.2 million impairment of intangible assets related to the DNA profiling e-Commerce platform; (ii) RM0.2 million fair value loss on convertible loans; (iii) RM0.2 million impairment of trade receivables related to HR and payroll services; (iv) RM0.01 million impairment of PPE; and (v) RM0.01 million impairment of inventory.
 - (i) Please elaborate on the rationale for suspending the development of the DNA profiling product "Qodify". How much has the Group incurred for the development of Qodify and the e-Commerce platform designed for the sales of Qodify?

Company's Response:

After careful review of the prevailing business environment and taking into consideration the Group's limited financial resources, the Management had decided to suspend the development of Qodify and focus its resources on the Group's other core businesses with higher margins. The Group has to-date incurred RM0.2 million for the development of Qodify and its e-Commerce platform which has been fully impaired during FY2023.

- (ii) Please explain how the amount of RM0.2 million fair value loss on convertible loans was determined and the reasons for the fair value loss. Please also provide the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment.

Company's Response:

For the purpose of determining the fair value of the convertible loans for FY2023 under Singapore Financial Reporting Standards (International) 9 *Financial Instruments*, the Group had engaged an external valuer ("**Independent Valuer**") to estimate the fair value of these convertible loans. In assessing the fair value of the convertible loans, the Independent Valuer had applied the Monte Carlo method, the same method applied for the financial ended 31 December 2022 ("**FY2022**"). The key inputs to the Monte Carlo method are the market value of share and probability of conversion. Based on the indicative Independent Valuer's valuation report for FY2023, which had been provided to the independent auditors of the Company, a RM0.2 million fair value loss on convertible loans had been recognised.

The Board having reviewed the appropriateness of the indicative valuation report and assumptions applied by Independent Valuer, is satisfied with the reasonableness of the methodologies used to determine the fair value of the convertible loans.

(iii) In relation to the RM0.2 million impairment of trade receivables related to HR and payroll services:

(a) Please provide the reasons for the impairment on trade receivables, including the reasons for delays or non-payment, where applicable.

Company's Response:

The impairment on trade receivables of RM0.2 million mainly arose from the provision of Human Resource and Payroll Services ("HRP Services") under the Outsourced Services Segment. Since the Covid-19 pandemic, several of the Group's HRP Services customers have been facing financial difficulties and continues to struggle to recover post-pandemic. In addressing these non-payments, the Management had reviewed the ageing of these trade receivables and ceased providing services to customers who have long outstanding amounts due to the Group. The Management had also entered into various settlement discussions with some of these customers to recover the outstanding amounts via instalment plans. However, after making some payments in early FY2023, these customers reneged on the agreed instalment payments to the Group. As a result, the Group had on a prudent basis and in consultation with the Company's external auditors, fully impaired the unsettled instalment payments amounting to RM0.2 million.

(b) Please provide the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade receivables.

Company's Response:

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost by assessing whether the credit risk on a financial asset has increased significantly since initial recognition. In its assessment, the Management considers, amongst others, the risk of a default and the credit risk of counterparties of the financial assets and in this instance trade receivables. In determining whether a financial asset is credit impaired, evidence that may be considered includes significant financial difficulty of the debtor and breach of contractual obligations such as default on payment or being more than 90 days past due. Where specific trade receivables are identified and assessed to have a high credit risk, a full impairment may be recorded.

The Board is of the opinion that the methodologies used to determine the value of the impairment of the trade receivables are reasonable.

(c) What is the Company's policy on trade receivables collection, including the credit terms extended to customers? Please provide a breakdown of the Company's provision for trade receivables (by aging buckets, period when the sales was reported and jurisdiction).

Company's Response:

The Group generally extend a credit period of 30 days. Impairment assessment is typically made on accounts which are 90 days past due.

	Malaysia (RM'000)	Singapore (RM'000)	Total Impairment (RM'000)
Revenue recognised in FY2022	93	105	198
Revenue recognised in FY2023	8	4	12
Total	101	109	210

All account receivables stated above are 90 days past due.

- (d) **What is the percentage of revenue earned in this financial year that was deemed uncollectible (i.e. trade receivables amount written off or provided for).**

Company's Response:

Revenue earned in FY2023 that was deemed uncollectible and fully impaired was approximately RM12,000 or 0.6% of the Group's revenue for FY2023.

- (e) **Are the trade receivables owing by major customer(s)? Does the Company continue to transact with these customer(s) and if so, what are the commercial reasons in doing so?**

Company's Response:

The trade receivables impaired relates to various customers' account. As highlighted in Question 1(iii)(a) above, the Group had in accordance with its policy, ceased providing any HRP Services to these customers.

- (f) **What is the percentage of trade receivables attributed to the major customer (or five largest customers) of the Company?**

Company's Response:

The five largest customers of the Group account for approximately 32% of the Group's revenue for FY2023. Of the trade receivables balance of RM0.2 million as at 31 December 2023, approximately RM145,000 or 72.0% was owed by one of the five largest customers of the Group which has since been fully settled in January 2024. There was no outstanding amount owed by the other four largest customers as at 31 December 2023. For avoidance of doubt, the impairment of the trade receivables are not associated to the five largest customers of the Group.

- (g) **What were the actions taken to recover the trade receivables?**

Company's Response:

Kindly refer to the response provided to Question 1(iii)(a) above.

- (h) **Please provide the aging analysis and the Board's assessment of the recoverability of the remaining trade receivables amounting to RM0.2 million as at 31 December 2023.**

Company's Response:

As at the date of this announcement approximately 88.6% of the trade receivable balance of RM0.2 million as at 31 December 2023 has been collected. The Board is of the opinion that the risk of non-recoverability of the remaining trade receivables is low.

Trade Receivables Ageing as at 31 December 2023	(RM'000)
Past Due less than 90 days	174
Past Due 90 days or more	28
Total	202

2. **We note that the 15-month consolidated cash flow forecast from 1 January 2024 ("Cash Flow Forecast") as set out in paragraph 2.3 of the Announcement and the Board's comments on going concern assumption in paragraph 2.4 of the Announcement states that one of the factors that the management and Board had taken into consideration in the preparation and assessment of the Group's going concern is that the Group had raised S\$2.0 million of the planned fund-raising of up to S\$3.0 million in the form of convertible bonds, of which S\$1.7 million of convertible bonds have been converted into ordinary shares of the Company as at the date of the Announcement. We also note that the aforementioned Convertible Bond agreement had been mutually terminated with effect from 19 February 2024.**

Given that the funds raised during FY2023 has since been fully utilised, and the fact that the Convertible Bond agreement has been mutually terminated, please explain the implications on the Group's and Company's Cash Flow Forecast and ability to operate as a going concern.

Company's Response:

In addition to earnings from the Healthcare Sector and the Outsourced Services Sector, the Group's fund-raising plans include corporate exercises such as shareholder loans. The Group had on 27 February 2024 announced the entry into a loan agreement with a shareholder for the provision of a non-interest bearing loan of S\$1.3 million. Similar additional funding options are being explored and will be announced when there are material developments.

The Board and the Management are continuously reviewing the strategic plans for the Group, taking into consideration the macro-economic environment.

- 3. How does the Company intend 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:

In the assessment of Group's going concern and its ability to meet payment obligations in the next 12 months, the Board has considered the following:

- (a) the Cash Flow Forecast prepared by Management, including estimated earnings from the Healthcare Sector and the Outsourced Services Sector;
- (b) raising of S\$1.3 million (approximately RM3.7 million) through a shareholder loan that was announced on 27 February 2024 and the Management continues to explore additional corporate fund-raising exercises;
- (d) Convertible loans raised in October 2022 and February 2023, totalling an aggregate principal sum of RM2.6 million where the Company has discretion to either (i) repay the principal amount of the Convertible loans or (ii) to convert the Convertible loans into new ordinary shares in the Company;
- (e) letter of undertaking from a third-party creditor, to not demand repayment of the amounts owing to them of approximately RM0.9 million until the Group's resources permit; and
- (f) letter of undertaking on amounts owing to a former director totalling approximately RM2.1 million to not demand repayment until the Group's resources permit.

Having regard to the above, barring unforeseen circumstances, the Board is of the view the Group will be able to meet its payments obligation in the next 12 months.

There are no debt obligations that had necessitated the entering of any debt repayment plans.

- 4. Please assess the Company's ability to meet its debt covenants (if any).**

Company's Response:

The Company does not have any borrowings with debt covenants.

- 5. Please assess the Company's ability to meet its short-term obligations when they fall due.**

Company's Response:

Kindly refer to the response provided to Question 3 above.

- 6. As at 31 December 2023, the Group has negative working capital of RM8.3 million with cash and cash equivalents of RM0.1 million.**

- (i) What are the AC's and Board's opinion, with supporting bases, on why the Company and Group can still continue as a going concern.
- (ii) What is the Sponsor's opinion, with supporting bases, on why the Company and Group can still continue as a going concern.
- (iii) Has all material information been announced to allow trading in the Company's securities to continue? Please confirm and provide justifications.

Company's Response:

Having regard the bases set out in response to Question 3 above, barring any unforeseen circumstances, the AC and the Board are of the opinion that the Company and the Group will be able to continue as a going concern for the next 12 months.

The Board and the Management will continue to pro-actively review the Group's 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.

The Company confirms all material information (including without limitation, the FY2023 results announcement as well as the Company's announcement dated 27 February 2024 on the entry into a shareholder's loan) has been announced to allow trading the Company's securities to continue.

Sponsor's Response:

Having considered the abovementioned assessment by the Board, the Sponsor concurs with the Board's view that, barring any unforeseen circumstances, the Company and the Group will be able to continue as a going concern for the next 12 months.

By Order of the Board

Herry Pudjianto
Executive Chairman & Chief Executive Officer
4 March 2024

MEDIA 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 Lee Khai Yinn, at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542, telephone: (65) 6232 3210.