MEDI LIFESTYLE LIMITED

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

RESPONSE TO SGX QUERIES ON 12M2021 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 22 February 2022 (the "**Announcement**"), in relation to the fourth quarter and full year results ended 31 December 2021 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 approximately RM6.1 million of impairment losses of goodwill for 12M2021. It was disclosed that "In *view of the delayed expansion plans and opening of postpartum centres in Malaysia and Singapore due to the continuing Covid-19 pandemic, management has assessed than an impairment of goodwill of RM6.1 million is required for 12M2021. The carrying value of goodwill as at 31 December 2021 is RM Nil compared to a carrying value of RM 6.1 million as at 31 December 2020.*"

Please disclose:

(a) How the amount of impairment was determined;
(b) Whether any valuation was conducted; the value placed on the assets; the basis and the date of such valuation; and
(c) 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:

(a) Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units ("**CGU**") to which goodwill has been allocated. The goodwill recorded relates to the Group's postpartum care business. The recoverable amount of the CGU is determined from value-in-use calculations using 5-years cash flows projections prepared by management. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on expectations of future changes in the market.

A discounted cash flow approach was used to determine the enterprise value of the postpartum care business that is associated with the goodwill carrying value. The uncertainties on the expansion plans and delayed opening of postpartum centres necessitated the application of higher risk-adjusted discount factors for which the resulting enterprise value was insufficient to support any carrying value of goodwill as at 31 December 2021. Hence, the full carrying value of goodwill was impaired to RM Nil.

(b) For the purpose of the 12M2021 financial results, the Group did not engage a valuer to value the assets relating to the goodwill. The valuation of the postpartum care business as a cash-generating-unit as at 31 December 2021 was internally conducted by the Group using a discounted cash flow approach, with the basis explained above. The external auditors concur with the methodology used.

(c) The Board confirms it is satisfied with the reasonableness of the methodologies used to determine the impairment amount.

2. The Group recorded RM969,000 of other receivables and prepayments as at 31 December 2021, accounting for approximately 35.5% of the Group's total current assets.

Please disclose:

a) A breakdown of the Group's other receivables and prepayments;

<u>Company's Response:</u>

The following table details the breakdown of the Group's other receivables and prepayments.

Other Receivables & Prepayments	As at 31 Dec 2021 (RM'000)
Deposits	620
Prepayments	78
Unbilled revenue	72
Cost recoverable from clients	196
Others	3
Total	**969**

b) Aging of the Group's other receivables;

<u>Company's Response:</u>

Unbilled revenue and cost recoverable from clients have been outstanding for less than 6 months. Generally, aging is not applicable for deposits and prepayments as they relate to amounts payable by the Group. mainly for rental deposits and for renovation and design works.

c) Details of the Group's underlying transactions of its other receivables and the terms of the transactions;

<u>Company's Response:</u>

Deposits of RM620 thousand are largely security deposits for commercial and office space leases, in particular for the Mines2 Confinement Centre. Prepayments amounting to RM78 thousand is mainly relating to renovation and design works, insurance and utilities. Unbilled revenue are related to rendered outsourced services which are yet to be invoiced to clients. Cost recoverable from clients are related to payroll disbursements incurred on behalf of clients arising from the Outsource Services segment, that are subsequently charged back to clients.

d) The Group's plan to recover the other receivables;

<u>Company's Response:</u>

With respect to unbilled revenue and cost recoverable from clients, invoices and debit notes have been generated subsequent to the financial year ended 31 December 2021 and are expected to be recovered within 3 to 4 months of billing.

e) **Whether they are major customer(s) and whether the Group continues to transact with these customer(s);**

Company's Response:

Unbilled revenue and cost recoverable arose from the Outsource Services segment where the Group provides mainly human resource, recruitment and payroll support for clients on a regular basis. In view of the nature of the Group's business, they are not major customers of the Group.

f) **How long are the debts outstanding;**

Company's Response:

The unbilled revenue and cost recoverable from clients have been outstanding for less than six (6) months.

g) **What were the actions taken to recover the Group's other receivables; and**

Company's Response:

Invoices and debit notes have been issued respectively to recover the unbilled revenue and cost recoverable from clients. Based on the Group's experience, these will be recovered within 3 to 4 months of invoicing.

h) **The Board's assessment of the recoverability of the remaining other receivables.**

Company's Response:

Based on the breakdown provided in response to Question 2(a), around 70% relates to deposits and prepayments, the nature of which has been elaborated above. Having considered the nature of the other receivables, the Board has assessed that the carrying balances of the Group's other receivables are totally recoverable.

3. **As at 31 December 2021, the Group's current liabilities stand at RM8,830,000 with a cash and cash equivalent of RM1,218,000.**

Please disclose the Board's assessment on the following:

a) **Whether the Group's current assets are adequate to meet the Group's short- term liabilities of about RM8,830,000, including its bases of assessment; and**
b) **How the Group intends to fulfil its significant payment obligations in the next 12 months.**
c) **Where the Group has worked out debt repayment plans to fulfil its debt obligation, please disclose if the Group is on track to fulfilling these obligations.**
d) **Please also disclose the pro-active actions which the management plans to take to ensure that the Group's position remains strong.**

Company's Response:

As at 31 December 2021, the Group's current liabilities exceeded its current assets by RM6.3 million. The Group is confident it will be able to meet its financial obligations for the next 12 months having considered the following:

(i) Planned fundraising of up to S$4.0 million which may be in equity, debt or combination thereof, to finance capital outlays set out in (iii) below and to repay convertible loans with principal sum of S$0.65 million and accumulated interest;
(ii) The Group's estimated revenue from the Healthcare Sector and Outsources Services segment for the next twelve (12) months; and
(iii) The Group plans to spend on capital outlays of up to S$1.3 million, subject to sufficient funds being raised, which are required for the renovation of a new confinement centre at Mines2 in the Klang Valley region and new chiropractic and physiotherapy centres; and such a sum is not yet contractually committed. The confinement centre is expected to commence operations by fourth

quarter 2022 whilst chiropractic and physiotherapy centres are to commence operations over the course of 2022.

The Group is expected to be able to repay its debts as and when they are due.

By Order of the Board

Low Koon Poh
Executive Chairman & Chief Executive Officer
7 March 2022

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)

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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.