

**RESPONSE TO QUERIES BY SGX REGCO
ON THE COMPANY'S FY2021 ANNUAL REPORT**

The board of directors (the "**Board**") of Biolidics Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the queries by SGX RegCo on the Company's annual report for the financial year ended 31 December 2021 ("**FY2021**") released on SGXNet on 12 April 2022 (the "**FY2021 Annual Report**").

Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as ascribed to them in the FY2021 Annual Report.

Question: We refer to Biolidics Limited's (the "**Company**", and together with its subsidiaries, the "**Group**") FY2021 Annual Report released on 12 April 2022.

We noted from the FY2021 Annual Report that the Auditors have issued a disclaimer of audit opinion due to (a) material uncertainty on Group's and Company's ability to continue as a going concern; and (b) impairment assessment of the Group's plant and equipment, right-of-use assets, intangible assets and goodwill (collectively, "**Long-Lived Assets**").

Please provide clarifications on the following:

Question 1: Please provide the Board's opinion on whether the Group and Company will be able to operate as a going concern and the bases for such opinion.

Company's response: The Board refers to the announcement made by the Company on 11 April 2022 (the "**Announcement**"), in relation to a disclaimer of opinion issued in the independent auditor's report dated 11 April 2022 (the "**Independent Auditor's Report**") in respect of the audited consolidated financial statements of the Group and the Company for FY2021 (the "**Financial Statements**").

The Board is of the opinion that the Group and Company will be able to operate as a going concern. The bases of the Board's opinion is as set out in the Announcement read with Note 2.1 of the Notes to the Financial Statements ("**Note 2.1**"). Specifically:

- (i) the Company had prepared a cash flow forecast covering the period from 1 January 2022 to 30 April 2023 to support the going concern assumption used in the preparation of the Financial Statements and to ensure the adequacy of funds required to meet its obligations, working capital and capital commitment needs (the "**Cash Flow Forecast**");
- (ii) as at 31 December 2022, the Group's current and total assets exceeded its current and total liabilities by \$3.7 million and \$2.3 million respectively. This will allow the Group to fulfil its obligations as and when they arise;
- (iii) based on the Cash Flow Forecast and the assumptions set out in Note 2.1, as at the date of this announcement, the Directors and management are confident that the Cash Flow Forecast is achievable, and accordingly, that the Group and Company will be able to operate as a going concern; and
- (iv) The Group will also explore other opportunities to grow its business as well as fundraising opportunities to strengthen its financial position.

The extract of Note 2.1 is reproduced below:

Material Uncertainty Related to Going Concern

As at 31 December 2021, the Group generated a net loss of \$6.0 million and net operating cash outflow of \$4.6 million for the financial year then ended. 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 that the financial statements have 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 a consolidated cash flow forecast covering the period from 1 January 2022 to 30 April 2023 ("**Cash Flow Forecast**"). In preparing the Cash Flow Forecast, management has taken the following into consideration:

- (i) *the challenges faced by the cancer business during the current COVID-19 pandemic and the impact of the emergence of competing and newer technologies on the sales of COVID-19 related products in the infectious diseases business;*
- (ii) *the forecasted cash flow from the laboratory services business which is mainly dependent on the projected sales uptake of its SARS-CoV-2 polymerase chain reaction (PCR) testing for COVID-19;*
- (iii) *and the cost cutting measures that the Group has planned to streamline its businesses and manage cost.*

The ability of the Group to fulfil its obligations is dependent on the Group generating sufficient cash flows from its COVID-19 PCR testing services, and the ability to raise new funding. The directors and management are confident that the Cash Flow Forecast is achievable and noted that the Group's current and total assets exceeded its current and total liabilities by \$3.7 million and \$2.3 million respectively. This will allow the Group to fulfil its obligations as and when they arise. The Group will also explore other opportunities to grow its business as well as fundraising opportunities to strengthen its financial position.

In addition, due to the rapidly evolving nature of the COVID-19 pandemic, the COVID-19 PCR testing services is exposed to various uncertainties and challenges such as, among others, changes to regulation framework, and international travel policies and requirements, which could affect the sales uptake of the Group's COVID-19 PCR testing services. The Group is closely monitoring the developments of the situation and the impact on its COVID-19 PCR testing services.

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.

Question 2: In view of the audit opinion and having considered Catalist Rule 1303(3), please provide the Board's opinion on whether trading in the Company's securities should be suspended. Please provide bases to support such opinion.

Company's response: The Board is of the view that Rule 1303(3) of the Catalist Rules does not apply to the Company's present situation as the Group and Company will be able to operate as a going concern, and the Company is able to demonstrate to the SGX-ST and its shareholders that it is able to do so.

As such, the Board is of the opinion that no suspension of trading of the Company's shares pursuant to Rule 1303(3) of the Catalist Rules will be required in view of the following:

- (i) no application has been filed with a court to place the Company (or its significant subsidiary) under judicial management;
- (ii) no application has been filed with a court for the liquidation of the Company (or its significant subsidiary); and

- (iii) the Company is able to reasonably assess its financial position (please see the Company's response to Question 1 above) and inform the market accordingly.

Further, the Board believes that sufficient information has been disclosed for trading of the Company's securities to continue in an orderly manner. The Board also confirms that all material disclosures have been provided for trading of the Company's shares to continue.

Question 3: We noted from the independent auditor's report in page 62 of the Annual Report that the Company's management has assessed that the Group's Long-Lived Assets and the Company's investment in Biomedics Laboratory Pte Ltd ("BML") may be impaired. However, the auditors were unable to determine the reasonableness of the key assumptions used by management in arriving at the carrying value of the Group's Long-Lived Assets, the Company's investment in BML and the receivables due from BML, and consequently, the Company's decision for impairment.

- (a) Please explain why the auditors were unable to determine the reasonableness of assumptions used by management in arriving at the decision to impair its Long-Lived Assets, investment in BML and receivables due from BML.
- (b) Please explain why the auditors is unable to determine the recoverability of receivables from BML. What is the nature of such receivables?

Company's response:

- (a) The Company understands from its independent external auditor, Ernst & Young LLP (the "**Independent Auditors**") that as set out on page 62 of the Independent Auditor's Report, the recoverable amounts of the Group's long-lived assets and the Company's investment in BML and the receivable due from BML are critically dependent on cash flow projections made by management in relation to the Cancer and Laboratory Services business segments.

The Company understands that the Independent Auditors were unable to determine the reasonableness of the key assumptions used by management in the cash flow projections including the revenue, profit margin and expenditure projections of the Cancer business segment and COVID-19 PCR testing services for the Laboratory Services business segment. They were unable to obtain sufficient audit evidence relating to these key assumptions due to elevated level of uncertainty of the long-term commercial viability of the existing cancer device and consumables under the current business and development plan of the Cancer business segment, and a lack of historical track record for the Laboratory Services business segment given that BML only commenced its COVID-19 PCR testing services in 2022 amidst an uncertain market condition. Further, as certain expenses under the Group's corporate segment which are not directly attributable to the Cancer and Laboratory Services business segments, such as employee benefit expenses of senior management and professional fees, are allocated to the Cancer and Laboratory Services business segments based on the proportion of revenue of these business segments, the Independent Auditors were similarly unable to determine the reasonableness of the key assumptions used by management in the expense projections of these business segments in the cash flow projections.

The extract from the Independent Auditor's Report, setting out the Independent Auditors' basis for the disclaimer of opinion on the impairment assessment of the Group's plant and equipment, right-of-use assets, intangible assets and goodwill, and the Company's investments in subsidiaries and other receivable due from a subsidiary is reproduced below:

Impairment assessment of the Group's plant and equipment, right-of-use assets, intangible assets and goodwill, and the Company's investments in subsidiaries and other receivable due from a subsidiary

As disclosed in Notes 11, 22, 12, and 13 to the financial statements, the Group's plant and equipment, right-of-use assets, intangible assets and goodwill (collectively, "long-lived assets"),

amounted to \$803,000, \$390,000, \$3,495,000 and \$626,000, as at 31 December 2021, respectively. These long-lived assets belong mainly to two of the Group's cash-generating units (CGUs) that represent the Group's Cancer and Laboratory Services business segments. Additionally, as disclosed in Notes 14 and 17 to the financial statements, the Company's balance sheet included an investment in Biomedics Laboratory Pte Ltd (BML) of \$3,569,000 and a receivable due from BML of \$1,773,000 as at 31 December 2021. BML carries on the Group's Laboratory Services business segment.

Management has assessed that there exists an indication that the Group's long-lived assets and the Company's investment in BML may be impaired. Accordingly, management has determined that the recoverable amounts based on their value-in-use (VIU) calculated using discounted cash flow projections, exceed their carrying amounts. Consequently, no impairment loss was recognised in relation to these assets as at 31 December 2021. Similarly, management has also determined that there was no expected credit loss (ECL) in relation to the receivable due from BML as at 31 December 2021.

The recoverable amounts of the Group's long-lived assets and the Company's investment in BML and the receivable due from BML are critically dependent on cash flow projections made by management in relation to the Cancer and Laboratory Services business segments. Based on the information available to us, we were unable to obtain sufficient appropriate evidence regarding the reasonableness of the key assumptions used by management in the cash flow projections, including but not limited to future revenue, profit margins and certain items of expenses. Accordingly, we were unable to determine the reasonableness of the aforesaid recoverable amounts and absence of ECL determined by the Group. Consequently, we are unable to determine the appropriateness of the related disclosures, and the extent of adjustments that may be required in relation to the carrying amounts of the Group's long-lived assets, and the Company's investment in BML and receivable due from BML as at 31 December 2021.

- (b) The Company understands that the recoverability of receivables due from BML is critically dependent on cash flow projections made by management in relation to the Laboratory Services business segment. The Independent Auditors were unable to determine the reasonableness of the key assumptions used by management in the cash flow projections, including the projections of revenue, profit margin and certain expenses of the COVID-19 PCR testing services for the Laboratory Services business segment, due to reasons as set out in the Company's response to question 3(a) above.

The nature of such receivables from BML pertain to intercompany fundings from the Company to BML for the purpose of BML's working capital requirements.

Question 4: Please provide the Board's confirmation that all material information has been announced and that there are no other material information that shareholders should be aware of.

Company's response: The Board confirms that all material information in relation to the Group has been announced and that there are no other material information that shareholders of the Company should be aware of.

BY ORDER OF THE BOARD

Song Tang Yih
Executive Director and Chief Executive Officer
21 April 2022

*This announcement has been prepared by the Company and has been reviewed by United Overseas Bank Limited (the "**Sponsor**") for compliance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst. This announcement has not been examined or approved by the SGX-ST. 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 Mr. Lim Hoon Khiat, Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, telephone: +65 6533 9898.*