

# Meta Health Limited

(formerly known as Metal Component Engineering Limited)  
(Incorporated in the Republic of Singapore)  
(Company Registration 198804700N)

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## QUALIFIED OPINION BY AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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### 1. INTRODUCTION

- 1.1. The board of directors (the “**Board**”) of Meta Health Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that, pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Company’s independent auditors, Foo Kon Tan LLP (“**Independent Auditors**”), have in their Independent Auditor’s Report dated 14 April 2023 (the “**Independent Auditor’s Report**”), included a qualified opinion (“**Qualified Opinion**”) in relation to the audited consolidated financial statements of the Group for the financial year ended 31 December 2022 (“**FY2022**”) (“**Audited Financial Statements**”).
- 1.2. The Independent Auditor’s Report, together with the Audited Financial Statements, will form part of the Company’s annual report for FY2022 (“**2022 Annual Report**”) which will be released on the SGXNet and the Company’s corporate website on 14 April 2023. Shareholders of the Company (“**Shareholders**”) are advised to read this announcement in conjunction with the 2022 Annual Report.
- 1.3. The Board is of the view that sufficient information has been disclosed for trading of the Company’s securities to continue in an orderly manner and confirmed that all material disclosures have been provided for trading of the Company’s shares to continue.

### 2. THE QUALIFIED OPINION

- 2.1. The Qualified Opinion is due to the Allegations (as defined in the Company’s announcement on 12 April 2023). Please refer to the Company’s announcement on 12 April 2023 relating to the investigations by the Company into the Allegations and the lodgment of the police report by the Company, for more information.
- 2.2. The extract of the basis of the Qualified Opinion issued by the Independent Auditors is as follows:

#### **Qualified Opinion**

*We have audited the financial statements of Meta Health Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.*

*In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore 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 consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.*

### **Basis for Qualified Opinion**

*We refer to Note 37(a), Events subsequent to the reporting date, on the irregularities concerning a wholly-owned subsidiary of the Company. The Company has taken steps to meet and engage with its employees, customers, and suppliers who are potentially involved in or who might have information on the transactions which are the subject of the allegations. While we have responded and performed certain procedures as detailed in the Key Audit Matters #2, we are unable to ascertain any further potential irregular transactions and any potential unrecorded liabilities as the Company has, on 11 April 2023, lodged a police report in respect of the allegations, and police investigations into the irregularities may be initiated and may possibly require additional adjustment(s), disclosure(s) and/or other consequential effect(s) in respect of the financial statements of the Group for the financial year ended 31 December 2022 and the financial year ended 31 December 2021.*

*We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's 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 qualified opinion.*

### **3. CAUTION IN TRADING**

- 3.1. Shareholders and potential investors of the Company are advised to exercise caution in trading the shares of the Company. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors of the Company should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

### **By Order of the Board**

Dr Bernard Ng Kee Huat  
Executive Chairman and  
Group Chief Executive Officer

Koh Gim Hoe  
Lead Independent Non-Executive  
Director

**14 April 2023**

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*This announcement has been prepared by Meta Health Limited (the “**Company**”) and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the “**Sponsor**”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist.*

*This announcement has not been examined or approved by the 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 Mr Alex Tan, Chief Executive Officer, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.*

# **Independent auditor's report to the members of Meta Health Limited**

## **Report on the Audit of the Financial Statements**

### **Qualified Opinion**

We have audited the financial statements of Meta Health Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore 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 consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### **Basis for Qualified Opinion**

We refer to Note 37(a), Events subsequent to the reporting date, on the irregularities concerning a wholly-owned subsidiary of the Company. The Company has taken steps to meet and engage with its employees, customers, and suppliers who are potentially involved in or who might have information on the transactions which are the subject of the allegations. While we have responded and performed certain procedures as detailed in the Key Audit Matters #2, we are unable to ascertain any further potential irregular transactions and any potential unrecorded liabilities as the Company has, on 11 April 2023, lodged a police report in respect of the allegations, and police investigations into the irregularities may be initiated and may possibly require additional adjustment(s), disclosure(s) and/or other consequential effect(s) in respect of the financial statements of the Group for the financial year ended 31 December 2022 and the financial year ended 31 December 2021.

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the Auditor’s 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 qualified opinion.

### **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 period. 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.

# Independent auditor's report to the members of Meta Health Limited (Cont'd)

## Key Audit Matters (Cont'd)

### 1. Determining indications of impairment and impairment testing of non-financial assets of the Group and of the Company

As at 31 December 2022, the Group and the Company have the following significant non-financial assets:

#### The Group

- Property, plant and equipment of S\$2,483,416 (Note 3) representing 11% of the Group's total assets
- Right-of-use assets of S\$4,119,321 (Note 4) representing 19% of the Group's total assets

#### The Company

- Investments in subsidiaries of \$10,261,266 (Note 6) representing 58% of the Company's total assets

As at the reporting date, the Group had impaired the plant and equipment amounting to S\$120,496 (Note 3) and goodwill, through a prior year adjustment, amounting to S\$7,048,690 (Note 7 and Note 38) and the Company had impaired the cost of investment in subsidiary amounting to S\$3,229,364 (Note 6) and through a prior year adjustment amounting to S\$4,789,631 (Note 38).

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination of indicators of impairment requires judgment by management especially where mixed indicators exist and accordingly, whether the non-financial assets are required for impairment testing. Goodwill is tested at least annually for impairment, regardless of indicators of impairment.

Impairment testing of non-financial assets is considered to be an area of risk of misstatement due to the judgmental nature of key assumptions and estimates and the significance of the carrying amounts of these assets in the statements of financial position of the Group and the Company. An impairment loss is recognised or reversed for the amount by which an asset's or "cash-generating unit" ("CGU") carrying amount exceeds or falls short of its recoverable amount, respectively. The recoverable amount is the higher of "value-in-use" ("VIU") and "fair value less cost to disposal" ("FVLCD").

VIU calculation involves cash flow projections and applying the growth rate and discount rate in the cash flow projections. FVLCD is determined by external valuers based on either the market approach, cost approach or a combination of both or revalued net assets value. These assumptions which are determined by management are judgmental and involve estimates.

In determining the appropriate CGU level which involved judgement, management has performed the impairment assessment of non-financial assets according to the smallest CGU identifiable. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

# Independent auditor's report to the members of Meta Health Limited (Cont'd)

## Key Audit Matters (Cont'd)

### Our responses and work performed

Our audit procedures in relation to this area are reviewing:

- management's assessment of indicators of impairment for its non-financial assets; and
- determination of the recoverable amounts in particular the Group's goodwill, the Group's property, plant and equipment of its business in Malaysia and the Company's cost of investment in subsidiaries. The procedures include amongst others:
  - assessing the appropriateness of the CGUs identified by management;
  - assessing the methodologies and appropriateness of the key assumptions used by management;
  - understanding and reviewing the assumptions in the input data from management; and
  - evaluating the competence and objectivity of the management's expert.

We involved auditor's expert to evaluate the recoverable amount prepared by management and the inputs and assumptions used. We assessed whether the auditor's expert has the necessary competency and objectivity for our purposes. We also obtained an understanding of the nature and scope of the expert's work and evaluating the adequacy of that work.

Through our auditor's expert, we assessed reasonableness of the valuation techniques applied, estimates adopted and assumptions used to arrive at the recoverable amounts of the CGUs.

In the computation of VIU as the recoverable amount, management had taken into account the indicative forecasted profitability, and used inputs, such as market growth rate, weighted average cost of capital and the historical, present and future economic factors, typical of similar industry. For FVLCD as the recoverable amount (if applicable), the revalued net assets value is determined based on the fair value of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. Management made reference to indicative market prices for non-financial assets to estimate its fair value.

We also reviewed the adequacy of disclosures included in Note 3 - Property, plant and equipment, Note 4 - Right-of-use assets, Note 6 - Subsidiaries and Note 7 - Goodwill to the financial statements respectively.

## 2. Irregularities in Gainhealth Pte Ltd (Gainhealth) (Note 37(a))

In March 2023, the management of the Group discovered some irregularities concerning Gainhealth when they were following up on outstanding receivables and collections for the financial year ended 31 December 2022, to render these transactions invalid. In addition the following were affected:

### At Group

- the goodwill arising from the acquisition of Gainhealth in July 2021;
- the non-financial assets recorded in Gainhealth; and

# Independent auditor's report to the members of Meta Health Limited (Cont'd)

## Key Audit Matters (Cont'd)

### At Company

- the investment in the wholly-owned subsidiary, 5Digital Pte Ltd (5Digital), which holds 100% equity interest in Gainhealth.

Management has proceeded to:

### At Group

- estimate and quantify the effect of these irregularities and adjust the transactions accordingly;
- re-assess the impairment testing of the carrying book value of goodwill of S\$7,048,690 (Note 7); and
- re-assess for any impairment indications and impairment testing of the non-financial assets recorded in Gainhealth, for which no impairment is expected to be required.

### At Company

- to re-assess the impairment testing of the cost of investment in subsidiary, 5Digital of S\$9,609,851 included in Note 6.

The effect of the reversal of the sales and purchases, recognition of other charges and write-off of receivables; and impairment loss on goodwill at the Group level; and impairment loss for its investment in subsidiary at the Company level were as follows:

### The Group

For the financial year ended 31 December 2022 –

- |  |              |
|--|--------------|
| • Reversal of sales (Note 37)            | S\$3,776,648 |
| • Reversal of purchases (Note 37)        | S\$2,961,889 |
| • Recognition of other charges (Note 37) | S\$1,845,563 |

As at 31 December 2022 –

- |                                      |              |
|--------------------------------------|--------------|
| • Write-off of receivables (Note 37) | S\$2,660,322 |
|--------------------------------------|--------------|

For the financial year ended 31 December 2021 –

- |   |              |
|---|--------------|
| • Impairment loss on goodwill arising from the acquisition of Gainhealth (Note 7)<br>(through prior year adjustments as disclosed in Note 38) | S\$7,048,690 |
|---|--------------|

### The Company

As at 31 December 2022 –

- |  |              |
|--|--------------|
| • Impairment loss on investment in subsidiary, 5Digital (Note 6) | S\$3,229,364 |
|--|--------------|

As at 31 December 2021 –

- |  |              |
|--|--------------|
| • Impairment loss on investment in subsidiary, 5Digital (Note 6)<br>(through prior year adjustments as disclosed in Note 38) | S\$4,789,631 |
|--|--------------|

## Our responses and work performed

We have reviewed the:

- identification of the affected third-party entities and corroborated independently their relationships or how they are connected to the key management personnel; and
- extraction of the transactions entered into between the affected third-party entities and Gainhealth and quantification of the amount.

# **Independent auditor's report to the members of Meta Health Limited (Cont'd)**

## **Key Audit Matters (Cont'd)**

We have also checked the basis of the reversal and write off of the balances as stated above and obtain certain confirmations from these affected third party entities to confirm the reversal and write off.

For the impairment loss on the investment in subsidiary, 5Digital, which holds directly the 100% equity interest in Gainhealth, and the goodwill arising from the acquisition of Gainhealth, we have reviewed the CGU and the assumptions, judgments and estimates used in determining the recoverable amount. Details of this review are explained under KAM #1.

We have also reviewed the adequacy of the disclosure in Note 6, Subsidiaries; Note 7, Goodwill; Note 37, Events subsequent to the reporting date; and Note 38, Prior year adjustments.

## **Other Information**

Management is responsible for the other information. The other information comprises the "Directors' Statement" section of the Annual Report but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the Annual Report which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 or 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 auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSAs.

## **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 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.



# **Independent auditor's report to the members of Meta Health Limited (Cont'd)**

## **Auditor's 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 auditor's 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.
- 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.

# **Independent auditor's report to the members of Meta Health Limited (Cont'd)**

## **Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

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, actions taken to eliminate threats or safeguards applied.

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 period and are therefore the key audit matters. We describe these matters in our auditor's 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report concerning the accounting and other records of the subsidiary, the accounting and other records required by the Act to be kept by the Company and by the other subsidiary corporations incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ho Teik Tiong.

Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants

Singapore,  
14 April 2023

**Extract from the Audited Financial Statements****37 Events subsequent to the reporting date****(a) Irregularities**

In March 2023, the management of the Group discovered some irregularities concerning Gainhealth Pte Ltd (Gainhealth), a wholly-owned subsidiary of the Company, when they were following up on outstanding receivables and collection.

The Officer (as defined in the Company's announcement on 12 April 2023) was a key management personnel of 5Digital Pte. Ltd. ("5Digital"), a wholly-owned subsidiary of the Company. The Allegations (as defined in the Company's announcement on 12 April 2023) were concerning irregular receivables, sales and cost of sales for which the certain customers of Gainhealth claimed that the balances and transactions were non-existent.

The consequences of the irregularities affect the re-assessment of impairment of certain non-financial assets and resulted in the following adjustments at the reporting date and some prior year adjustments:

**At the Group**

- reversals of sales, purchases, write off of receivables and recognition of other charges;
- impairment of goodwill arising from the acquisition of Gainhealth;
- reassessment of impairment of non-financial assets recorded in Gainhealth for which no impairment is expected to be required; and

**At the Company**

- impairment of cost of investment in subsidiary, 5Digital

As a result of the adjustments, Gainhealth's revenue and loss after tax is S\$2,036,282 and S\$3,159,455, respectively for the financial year ended 31 December 2022 and is at net liability of S\$2,782,612 as at 31 December 2022.