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18

# Annual Report

Medtecs International Corporation Limited

## 美德醫療集團年報

***A Corporation listed in Singapore Exchange Securities Trading Limited (SGX-ST) Catalyst***

This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Sponsor has not independently verified the contents of this document including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.

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The contact persons for the Sponsor are Ms Evelyn Wee (Telephone Number: +65 6535 3600) and Mr Howard Cheam Heng Haw (Telephone Number: +65 6535 3600), R & T Corporate Services Pte. Ltd., at 9 Battery Road #25-01, Singapore 049910.

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# Corporate Profile



Taiwan Taipei Office

**M**edtecs International Corporation Limited (the **Company**) is a well-known healthcare products and services provider and a leading manufacturer of medical consumables. The Company and its subsidiaries (collectively, the “Group”) commenced operations in the Philippines in 1989 and has since established a strong presence in the United States, Europe and Asia Pacific. The Group has offices and facilities spanning across Asia – in Singapore, Taiwan, the Philippines, the People’s Republic of

China (“China”) and Cambodia. The Group was listed on Singapore Dealing and Automated Quotation System (SESDAQ) of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 6 October 1999 and transitioned to sponsor-supervised regime on Catalist with R & T Corporate Services Pte. Ltd. on 26 February 2010. The Group’s Taiwan Depository Receipts (“TDR”) were listed on the Taiwan Stock Exchange (TWSE) on 13 December 2002.

The Group’s main lines of business include manufacturing original products and providing integrated hospital services. As an original product manufacturer (OPM) of a wide range of medical consumables, and hospitals and work wear apparels, the Group maintains manufacturing facilities located in the Philippines, China and Cambodia. As a hospital services provider, the Group provides



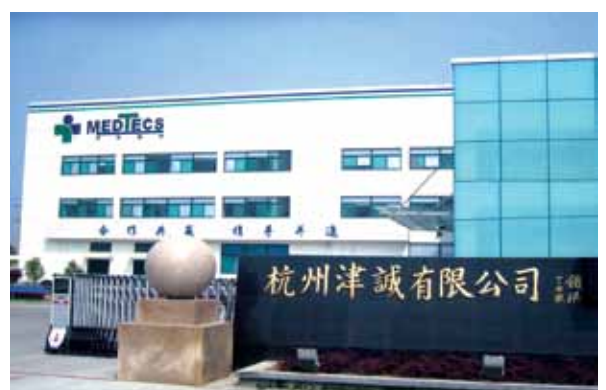
Cambodia Factory

hospitals in Taiwan and the Philippines with integrated services which include rental and laundry of linens, management of laundry facilities, hospital automation and other non-core hospital functions. In Taiwan, the Group is currently the dominant total solutions provider for such hospital services, with a customer base of 24 hospitals. The Group has also successfully expanded its hospital service in the Philippines, covering 31 hospitals.

The Group anticipates and plans for the future with the following initiatives. We will continue to implement new processes and invest in equipment upgrades to increase overall efficiency, while at the same time, strive to protect the environment; on the other hand, we will strengthen our current market position by increasing our e-commerce capabilities to explore new business opportunities. In terms of hospital service operations, we will gradually incorporate environment-friendly and energy-efficient materials, as well as QR Codes and RFID tags in our supply chain management to improve operational efficiency and service quality.



Philippines Factory



China Factory



# Corporate Structure



## MICL

(Philippine Branch)  
100%

## MEDTECS

(Asia Pacific)Pte. Ltd.  
(Singapore)  
100%

## MEDTECS

(Cambodia) Corporation Limited  
100%

## MEDTECS

(Far East) Limited  
(Hong Kong, China)  
100%

## Cooper Development Limited

(Labuan, Malaysia)  
100%

## MEDTECS

(Taiwan) Corporation  
100%

**Hangzhou Jincheng Medical Supplies Manufacture Co., Ltd.**  
(Zhejiang, China)  
100%

**Zibo Liancheng Textiles Co., Ltd.**  
(Shandong, China)  
51.1%

**Zibo Liancheng Textiles and Garments Co., Ltd.**  
(Shandong, China)  
100%

**MEDTECS**  
(MSEZ) Corporation  
(Cambodia)  
100%

**Contex Corporation**  
(Subic, Philippines)  
98.8%

**Medtecs Materials Technology Corporation**  
(Bataan, Philippines)  
100%

**Medtex Corporation**  
(Bataan, Philippines)  
100%

**Universal Weavers Corporation**  
(Bataan, Philippines)  
100%



# Chairman's message



**Clement, Yang Ker-Cheng**  
Chairman

## Dear Shareholders

I am pleased to present to you the operational and financial results of Medtecs International Corporation Limited (the **Group**) for the financial year ending December 31<sup>st</sup> 2018 (**FY 2018**), as well the Group's 2019 outlook.

## The Year 2018 in Review

In **FY 2018**, the Group's revenue was up by 10.5% to US\$68.3 million. Revenue from the Group's Original Product Manufacturing (OPM) division increased by 13.8% to US\$52.2 million; revenue from the Hospital Services division grew 4.6% to US\$13.97 million. We

achieved a consolidated profit before tax of US\$1.19 million, a 24.2% or US\$231,000 increase over last year. The Group's net profit attributable to ordinary shareholders is US\$ 0.91 million, a 4.6% increase in the amount of US\$40,000 from last year.

In 2018, in addition to these financial gains in our business operations, we also laid down the ground-work for the Group's long-term development and growth, which included: re-formulation and alignment of the Group's vision (Providing world-class medical products, services and protective wear to ensure that every worker returns home safe) and mission (Providing safe, comfortable and stylish protective clothing and equipment for workers; providing support services with speed and soul to hospitals); establishment of a fair, motivational system of rewards and punishments and a management culture and corporate environment that focused on goal-setting, strategy formulation, and execution of action plans.

In the fourth quarter of 2018, through analyzing the internal and external business environment, understanding the Group's competitive advantages and disadvantages, and taking stock of our resources, we successively launched the following projects, which we will carry forward to 2019:

- Developed operational plans for 2019 and their progressive implementation schedule across our production bases and medical services operations;
- Adopted the 5S/6S lean management approach to optimize our manufacturing process and to improve workplace efficiency at various production bases and offices;
- Created action plans which will drive the Group's key sustainability initiatives as identified in the Group's Sustainability report; and
- Introduced and incorporated the Enterprise Resource Management (ERP) and Customer Relationship Management (CRM) systems into our daily workflow.

## Looking Ahead

### **Revenue and profitability are expected to grow**

Major global research institutions have not been optimistic about the macroeconomic outlook of 2019 for the world's leading economies, predicting slower growth compared with that in 2018.

Due to the unique nature of the Group's business, the demand for our products and services are relatively unaffected by external factors such as a recession or economic downturn. We will be able to mitigate any potential negative impact by a gloomy economic outlook.

With a growing emphasis on the Group's business development initiatives, coupled with proper cost control, we expect to increase our overall revenue and profit. Specifically, the Group enjoys the following competitive advantages in 2019 and going forward:

### **Well-defined and executed strategies will lead to measurable results**

In 2018, we set out to improve our fundamentals such as production capacity, sales initiatives, human capital, research & development efforts and financial health. We look forward to measurable results for these efforts in 2019.

Regarding the Group's OPM business, in addition to the European and North American markets we have long been serving, we have realized that we can reach potential customers in previously untapped markets through e-commerce platforms, and to engage with potential business partners





who can become our new suppliers of fabrics and trimmings. We will therefore leverage e-commerce capabilities to drive revenue growth and the Group's online presence in 2019.

Furthermore, following the merging of the Group's International & Domestic Business Department together with the Procurement Department, and the attendant manpower adjustment at the end of 2018, we plan to introduce an advanced CRM system. These measures will help us better serve potential customers, stay connected to existing ones, streamline process and improve our bottom line.

Various operational plans and the 5S approach to workplace management run by the on-the-ground staff have been rolled out at each of our production base from the bottom-up. Therefore, there should be minimal resistance in the implementation of these plans, which will help reduce costs and boost productivity.

As for the Group's Hospital Services operations, we have seen rising labor costs in Taiwan and the Philippines year after year. We have improved efficiency of our Taiwan laundry plant in 2018, which is anticipated to have on-going positive ramifications in 2019. In line with the Group's overall cost reduction scheme, we will continue to scale down our hospital workforce as planned, with a 15% cut in the Philippines. Following a thorough review of hospital services contracts in 2018, we hope to negotiate with more confidence for more favourable terms for contracts entered into in 2019.

In view of the popularity and competitiveness of the Group's epidemic prevention products and protective equipment in Taiwan and the Philippines, we will aggressively promote these products to expand our market presence in these two countries. We are confident in seeing growing revenue and profit streams from the region.

### **Growth through business process management & improved decision-making and relentless execution of our strategies**

The Group's employees are well aware of the importance of business process management and optimization when faced with a forecast for a gloomy economy. Through constant dialogue and communication, the Group's executive management team has all agreed that good decision-making and execution capability are essential to the successful management and operation of the Group, and each has signed an undertaking to improve decision-making and execution in his day-to-day work. 2019 will therefore be the year in which the Group transforms itself into an organization that's decision-driven and execution-focused.

At present, we are seeing an unprecedented high level of employee morale. Starting in 2018, the Group has been promoting a corporate culture that encourages teamwork, accountability and problem-solving skills, as well as a system of reward and punishment. We are confident that whatever the future holds, regardless of any challenges, the management team has the energy and capacity to turn any crisis into opportunities for growth.

## In Appreciation

I wish to express deepest appreciation to my fellow Board members for their guidance and support, and to our executive management team for their hard work and contribution. I also wish to express thanks to our colleagues for their continued commitment on the job and to the Group, and our shareholders for their unwavering support. Thank you.



Clement, Yang Ker-Cheng  
Chairman



# Financial Review



## Business Overview

The Group benefitted from improved demands from its existing customers in FY18 leading to an increase in Group's revenue by 10.5% to US\$68.3 million in FY18 from US\$61.8 million in FY17. The Group's net profit increased to US\$914,000 in FY18 from US\$873,000 in FY17, due to higher sales.

## Revenue

Revenue from the Original Product Manufacturing ("OPM") division increased by 13.8% to US\$52.2 million in FY18 from US\$45.9 million in FY17 due to increased orders from our existing customers.

Revenue from the Hospital Services division improved by 4.6% to US\$13.9 million in FY18 from US\$13.3 million in FY17, attributable to higher linen consumptions in Taiwan and additional hospital contracts in the Philippines. Revenues from Trading, Distribution and others decreased by 17.6% to US\$2.1 million in FY18 from US\$2.6 million in FY17 as we focused on higher-margined sales.

## Profitability

The Group's gross profit increased by 6.3% to US\$10.3 million in FY18 from US\$9.7 million in FY17 arising from higher revenues. The Group's gross profit margins decreased slightly from 15.7% in FY2017 to 15.1% in FY2018 due to higher raw materials and labor-related costs.

Gross Profit from the OPM division increased by 8.9% to US\$8.9 million in FY18 from US\$8.2 million in FY17 attributable to higher revenues. OPM Gross profits margins declined slightly by 0.8% to 17.0% in FY2018 from 17.8% in FY17 because of higher labor and manufacturing costs.

Hospital Services division's gross profit decreased by 30.7% to US\$1.0 million in FY18 from US\$1.5 million in FY17 due to higher linen amortization in Taiwan.

Gross Profit from Trading, Distribution and other division increased by 698.5% to US\$385,000 in FY18 from US\$48,000 in FY17 due to higher-margined sales.

The Group's net profit increased by 4.7% to US\$914,000 in FY18 from US\$873,000 in FY17 from higher sales.



“Revenue Improves by 10.5% to US\$68.3 million in FY18”

## Cash Flows and Balance Sheet

Total assets of the Group increased by US\$3.3 million to US\$112.9 million in FY18 from US\$109.5 million in FY17 mainly from higher level of operation. The Group’s borrowings increased to US\$40.8 million in FY18 from US\$36.1 million in FY17 from new bank loans.

The Group generated an operating cash flow of US\$5.6 million in FY18 from the positive operating cash flow of US\$2.4 million in FY17. On its investing activities, US\$4.8 million was

used for the linen replacement on existing hospital contracts as well as additional linens for the new hospitals services contract. Cash inflow of US\$2.0 million from financing activities was due to availments of new loans in Taiwan and Bermuda.



# Business Outlook and Prospects



The Group continues to grow its market in US, Europe and Asia Pacific Region. The Group also sees growth opportunities in the local domestic markets in Asia-Pacific Region especially in Singapore, Philippines and China.

Hospital Service division continues to grow, as more hospitals in the Philippines and Taiwan are shifting to outsourced linen management to focus on their core business.

Cost factors, especially labor, energy and material cost, remain a challenge but we would focus on improving efficiencies and seek cost-control methods to counter rising material and labor cost.

We would continue to leverage our cost-efficient Cambodia production base to attract more institutional customers, and we will continue to expand into new markets with our personal protective apparel.

Barring unforeseen circumstances, the Group expects to remain profitable in financial year ending 31 December 2019.

## “OPM remains the flagship division of the Company”

Original Product Manufacturing remains the dominant segment in the Group in terms of revenue and profitability.

We see that we can reach potential customers on previously untapped markets through e-commerce platforms to complement our existing European and North American customer base. We also consider Asia Pacific region as a growth area as we seek to cater to local markets in the region. We see a stable demand for medical consumables and other products in the healthcare, hospitality and personal protective apparels.

We have streamlined our operations and improved on our processes to boost productivity. We have also strengthened our presence in Cambodia with manufacturing facilities in Kampong Cham and Bavet, Cambodia.

We expect growth in our business in the People's Republic of China and will leverage on such growth through our existing manufacturing facility in Hangzhou.

## “Expand market share in Taiwan and Philippines”

Our Hospital Services division provides us with a stable source of income. We are looking to strengthen our market presence and grow our market share in both Philippines and Taiwan where the trend is for local hospitals to outsource their non-core hospital operations. We are also undertaking cost-reduction procedures to optimize margins in this segment.





### “Vigilance against Future Pandemics will open up trading opportunities”

Our trading and distribution business is critical to the Group not only as a stand-alone profit center but also provides auxiliary support to our other divisions. The Group is on the lookout for more opportunities for its personal protective apparel offerings in view of heightened awareness on health and environmental concerns. The Group has tapped some leasehold property to become revenue generating units from new rental tenants.

On the other hand, we never stop thinking about ways to innovate our textile products. For example:

- High-elasticity plain-woven fabrics are now being used to make scrubs, patient gowns and clothing worn close to the skin.
- We have been applying special treatment to our fabrics so that they have the following properties: dirt-repellent, anti-bacterial and anti-viral. These specially treated fabrics will help us better market our lab coats, work wear and disposable personal protective equipment.

### “Devoted R&D efforts to innovating our products and better customer support”

Digitization has been at the forefront of the Group’s R & D efforts. So far we have made the following progress:

- Introduced an inventory management system, with built-in alerts to serviced hospitals when their use exceeded prescribed limit, which helps track and monitor the number of products used in various departments of the serviced hospitals, which also means better customer support and cost control.
- Conducted a small-scale pilot test for application of wireless radio frequency identification (RFID) technology to our hospital logistics management system, which will be rolled out in phases and applied to important products and items across the entire network of hospitals we provide 3L services to.

### “The Company to tap e-commerce to increase presence in new markets”

In response to the rise of e-commerce, we actively operate e-commerce platforms, develop new business opportunities and strengthen the supply chain. In March 2018, we won the 4th Alibaba B2B Top Ten Network Business Champion.



## Corporate Social Responsibility Statement

Medtecs has long been committed to using its resources and expertise to fulfill its corporate social responsibilities. Wherever we operate, we make sure to comply with local labor and environmental protection laws and regulations currently in force. Catering to local practices, needs and economic development, we organize different activities and events promoting social progress, environmental protection and corporate governance, thereby creating win-win situations to all stakeholders.



Helped autistic youths to be self-reliant



Donated to the Cambodian International Red Cross



Donated material to the Cambodian temples

In 2018, to further the Group's commitment and plans as set out in the Group's first Sustainability Report, we continued to devote resources to activities, charitable programs and sponsorships related to our corporate social responsibilities, which were:

- Our Taiwan subsidiary held three large-scale workshops for healthcare professionals, procurement personnel and nursing staff stationed at schools (a total of about 300 people) to demonstrate the importance of the proper use and quality management of epidemic prevention gears and materials, making health-care facilities more effective in infection control while increasing individual awareness of infectious diseases across the board.
- Organized multiple workplace safety seminars and fire drills to create an overall safer working environment.
- Incentivized our suppliers to act ethically towards their employees and to protect the environment through the Group's supplier evaluation mechanism.
- Purchased and installed automated energy-efficient equipment to improve energy efficiency and fulfill environmental protection responsibilities.
- Donated to the Cambodian International Red Cross to support local charitable causes.
- Donated materials through the Group's Cambodian factory to nearby temples, which are places of worship and leisure to the local community.
- Colleagues in our Taipei office participated in a fund-raising initiative in which products made by autistic youths were bought, enjoyed and shared with our business associates.
- Made donations-in-kind through our factories in the Philippines to local schools, which helped improve the schools' overall landscape.





- Employees in the Philippine offices participated in tree-planting and coastal cleanup activities to mitigate against climate change, and to save the oceans and marine life.
- Donated face masks, bed sheets and blankets to evacuees who were displaced due to eruptions of Mayon Volcano in the Philippines.

Medtecs is fully aware of its social responsibilities as a corporate citizen. In particular, our inaugural Sustainability Report and the making of it reinforced our commitment to key issues that impact both our corporate sustainability and corporate social responsibilities. We will review our goals and action plans for these key issues annually. We are confident we will be able to create a better future for the environment, society and for all our stakeholders.



# Corporate Directory

## Board of Directors

- ▲ Clement Yang Ker-Cheng  
*Chairman*
- ▲ Xia Junwei  
*Deputy Executive Chairman*
- ▲ William Yang Weiyuan  
*Executive Director / Chief Executive Officer*
- ▲ Wilfrido Candelaria Rodriguez  
*Executive Director / Chief Financial Officer*
- ▲ Lim Tai Toon  
*Lead Independent Director*
- ▲ Carol Yang Xiao-Qing  
*Independent Director*
- ▲ Lam Kwong Fai  
*Independent Director*
- ▲ Lim Yeow Beng  
*Independent Director*

## Audit Committee

- ▲ Lim Tai Toon  
*Chairman*
- ▲ Lam Kwong Fai  
*Member*
- ▲ Carol Yang Xiao-Qing  
*Member*
- ▲ Lim Yeow Beng  
*Member*

## Remuneration Committee

- ▲ Lam Kwong Fai  
*Chairman*
- ▲ Carol Yang Xiao-Qing  
*Member*
- ▲ Lim Tai Toon  
*Member*
- ▲ Clement Yang Ker-Cheng  
*Member*
- ▲ Xia Junwei  
*Member*
- ▲ Lim Yeow Beng  
*Member*
- ▲ William Yang Weiyuan  
*Member*

## Nominating Committee

- ▲ Carol Yang Xiao-Qing  
*Chairman*
- ▲ Lim Tai Toon  
*Member*
- ▲ Lam Kwong Fai  
*Member*
- ▲ Clement Yang Ker-Cheng  
*Member*
- ▲ Xia Junwei  
*Member*
- ▲ William Yang Weiyuan  
*Member*
- ▲ Lim Yeow Beng  
*Member*



## Company Secretaries

- ▲ Abdul Jabbar Bin Karam Din  
*(Joint Company Secretary)*
- ▲ Loh Lee Eng  
*(Joint Company Secretary)*
- ▲ Codan Services Limited  
*(Assistant Company Secretary)*

## Share Transfer Agent

- ▲ Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623

## Sponsor

- ▲ R & T Corporate Services Pte. Ltd.  
9 Battery Road #25-01  
Singapore 049910

Registered Professionals:  
Evelyn Wee Kim Lin, Howard Cheam  
Heng Haw

## Registered office in Bermuda

- ▲ Medtecs International Corp. Ltd.  
TEL: +632-817-9000  
Clarendon House 2 Church Street Hamilton  
HM11, Bermuda

## Auditors

- ▲ SyCip Gorres Velayo & Co.  
(A Member Firm of  
Ernst & Young Global Limited)  
6760 Ayala Avenue  
1226 Makati City  
Philippines  
  
Partner in Charge:  
Jose Pepito E. Zabat III  
(From 18 November 2016)

## Principal Bankers

- ▲ Bank of Taiwan  
2F-2, No. 66, Sachong Rd.m Nangang Dist.,  
Taipei Taiwan
- ▲ Chang Hwa Bank  
3F., No.333, Sec. 1, Keelung Rd., Xinyi Dist.,  
Taipei City 11012, Taiwan
- ▲ Taiwan Cooperative Bank  
26th Floor Citibank Tower  
8741 Paseo De Roxas  
Makati City, Philippines
- ▲ Mega International Commercial Bank  
3<sup>rd</sup> Floor, Pacific Star Building  
Gil Puyat Avenue, Makati City, Philippines
- ▲ China Banking Corporation  
CBC Building 8745 Paseo de Roxas  
Makati City, Philippines
- ▲ Bangkok Bank Public Company Limited  
10<sup>th</sup> Floor, Tower 2, The Enterprise Center,  
6766, Ayala Avenue, Makati,  
1200 Metro Manila Philippines

# Profile of the Board of Directors

## **Mr Clement Yang Ker-Cheng** | Executive Chairman

*(Appointed as Director in 1997, and subject to retirement and re-election pursuant to Rule 720(4) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist (the "Rules of Catalist") in 2019)*

Mr Clement Yang Ker-Cheng is the Chairman of the Company. He oversees the overall management, strategic planning, product development and marketing of the Group. He was the Chief Executive Officer of the Group's operations since 1990 until 2 May 2018 when Mr. William Yang Weiyuan took over as the Company's Chief Executive Officer. Mr. Yang is a member of the Remuneration and Nominating Committees. Under his leadership, the Medtecs Group has grown into an integrated healthcare services provider and original product manufacturer of a wide range of medical consumables for large multinational healthcare distributors, pharmaceutical companies and hospital groups around the globe.

Prior to founding the Medtecs Group, Mr Yang served as senior vice president of the Fu-I Industrial Group of companies, and the chief executive officer of Shentex Corporation. From 1986 to 1989, he was director of Taiwan Cotton Weavers Association. Mr Yang was president of the Taiwanese Business Association of Subic Bay and now serves as Chairman of the Cambodia and Philippines committees of the Chinese-Philippine Business Council.

Mr Yang has more than thirty years of experience in the textile manufacturing industry, with majority of those years devoted to the development of medical consumables for the healthcare industry.

## **Mr Xia Junwei** | Deputy Executive Chairman

*(Appointed as Director in 2015 and re-elected in 2018)*

Mr Xia Junwei was appointed as a Non-Executive and Non-Independent Director of the Company on 15 October 2015 and Deputy Non-Executive Chairman of the Board on 20 November 2015. Mr. Xia was re-designated as an Executive Director of the Company on 5 July 2016. He is a member of the Nominating and Remuneration Committees.

Mr Xia has more than two decades' experience in doing business in mainland China and has amassed considerable connections which he hopes to contribute to the Company's business expansion in the mainland.

Mr Xia is the CEO of the Lingholm Group of companies in Singapore, which comprises Lingholm Holdings Pte. Ltd. (parent company focused on investment), Lingholm Pte Ltd (subsidiary focused on commodities trading) . Previously, he served as General Manager (2005-2010) and Chairman (2001-2011) of Tianjin YiSheng Petroleum Engineering Ltd.

Mr Xia graduated from China Dongying Petroleum Institute; he has completed his EMBA studies at Nanyang Technological University and was conferred Executive Master of Business Administration.



**Mr William Yang Weiyuan** | **Executive Director /  
Chief Executive Officer**

*(Appointed as Director in 2013, last re-elected in 2016 and subject to retirement and re-election in 2019)*

Mr William Yang Weiyuan was appointed as an Executive Director on 2 September 2013.

Mr William Yang graduated from New York Institute of Technology with a degree in Electrical and Computer Engineering in 2005. He has been the General Manager of the Company's wholly-owned subsidiary, Shanghai Greenway Medical Apparatus Co., Ltd. since 1 March 2007, and General Manager of the Company's subsidiary, Medtecs (Taiwan) Corporation since 1 July 2010. As General Manager of the two subsidiaries, he has played an active role in the marketing, production, human resources and finance departments.

Mr William Yang was appointed as the Company's Chief Executive Officer, in place of Mr. Clement Yang, on 2 May 2018.

Mr William Yang has over 10 years of experience in the textile industry, with majority of those years devoted to developments of medical consumables and Hospital Services for the health care industry.

**Mr Wilfrido Candelaria Rodriguez** | **Executive Director /  
Chief Financial Officer**

*(Appointed as Director in 1997, last re-elected in 2016 and subject to retirement and re-election in 2019)*

Mr Wilfrido Candelaria Rodriguez was appointed an Executive Director on 26 November 1997 and was appointed Chief Financial Officer ("CFO") on 10 December 2008.

Prior to his appointment as CFO of the Company, Mr Rodriguez has served as Vice President for internal audit of the Company since October 1999 and was a controller of Clement Textile & International Corporation in August 1996. Before joining the Company, he was the chief financial officer of Ester Corp. from 1994 to 1996. From 1993 to 1994, he was a consultant in private practice. He was employed as the president of Philippines Hospitals and Health Services, Inc. from 1989 to 1992.

He graduated with a Bachelor of Science in Business Administration from the University of the East, Philippines and qualified as a Certified Public Accountant in the Philippines.

## **Mr Lim Tai Toon | Lead Independent Director**

*(Appointed as Director in 2010 and last re-elected in 2017)*

Mr Lim Tai Toon was appointed as an Independent Director of the Company on 29 October 2010 and Chairman of the Audit Committee and Lead Independent Director on 4 May 2012. He is a member of the Nominating and Remuneration Committees.

Mr Lim Tai Toon spent the earlier part of his career with the Singapore Armed Forces before embarking on a broad and varied financial and business career.

Since 1994, Mr Lim has worked in a few SGX listed companies, most recently as financial advisor of REA Ltd (formerly known as Superior Fastening Ltd) and previously as executive director of Eastgate Technology Limited (2006 to 2009), managing director of Vashion Group Limited (formerly known as Startech Electronics Limited) from 2003 to 2006 and vice president (corporate affairs) of Ipco International Limited (1995 to 1996).

Between those years, Mr Lim also founded a software development company in 2003 and was based in China as Country chief executive officer for an Asian company from 1996 to 2000.

Mr Lim holds a Master of Business (Information Technology) from Curtin University of Technology (Australia), Master of Business Administration from Henly Management College (United Kingdom) and Bachelor of Accountancy from National University of Singapore (Singapore).

## **Ms Carol Yang Xiao-Qing | Independent Director**

*(Appointed as Director in 2005 and last re-elected in 2017)*

Ms Carol Yang Xiao-Qing was appointed as an Independent Director of the Company on 1 May 2005 and Chairman of the Nominating Committee on 14 August 2012. She is a member of the Audit and Remuneration Committees.

Ms Yang is the Chief Executive Officer of Galaxaco China Group LLC, a project development and consulting firm with offices in Beijing and San Francisco. Ms Yang has extensive experience in inbound investments, international trade and state regulatory matters in China. She held directorships in Schauenburg Truplast Hose Technology Ltd, Guangzhou GISE Gas Ltd., Asian Light Group Limited and Shanghai AKA Mechanical and Electric Co., Ltd. for the last five years.

Ms Yang holds a Bachelor of Arts in Journalism from Jinan University, People's Republic of China. She also attended Stanford University on a Communications Fellowship in 1985. Subsequently, Ms. Yang received her Master of Arts in Communications Management & Investor Relations from Simmons College in Massachusetts.



## **Mr Lam Kwong Fai | Independent Director**

*(Appointed as Director in 2015 and last re-elected in 2018)*

Mr Lam Kwong Fai was appointed as an Independent Director of the Company on 31 July 2015 and is the Chairman of the Remuneration Committee. He is a member of the Audit and Nominating Committees.

Mr Lam is currently the Chief Executive Officer at 3 Peaks Capital Private Limited, a boutique corporate finance house in Singapore. He started his career as a regulator before moving into investment banking with HL Bank and Genesis Capital Pte Ltd handling a variety of IPO and other corporate actions. He then moved into Catalyst regulation, working with a wide portfolio of listed companies, advising on the listing rules and corporate governance. In his various capacities, he has amassed over 10 years of experience in the Singapore corporate finance scene.

Mr Lam obtained a Bachelor of Accountancy from Nanyang Technological University in 2002.

## **Mr Lim Yeow Beng | Independent Director**

*(Appointed as Director in 2017 and last re-elected in 2018)*

Mr Lim Yeow Beng was appointed as an Independent Director of the Company on 15 November 2017 and a member of the Audit, Nominating, and Remuneration Committees.

Mr Lim spent 20 years with the Singapore Armed Forces and retired with the rank of Brigadier General. He started as an Air Engineering Officer in 1983. In December 1997, he was appointed the Head of Air Engineering and Logistics for the Republic of Singapore Air Force. During this time, Mr Lim was also appointed director of a few commercial companies, including Singapore Food Industries.

In July 2003, Mr Lim joined Singapore mainboard listed, SembCorp Logistics to champion the Group's growth aspirations in Asia Pacific region. In April 2007, he was appointed President and CEO of ST Logistics Group of Companies, and concurrently, Director of Government Business Group, Toll Logistics. Since Jan 2015, Mr Lim has been serving as Director/Advisor to a number of companies in hotel development, hospitality, engineering, logistics, healthcare, and retail/e-commerce sectors.

Mr Lim is a graduate of the National University of Singapore and holds a Bachelor of Engineering Degree in Mechanical Engineering (Hons) in 1983 and Master of Science in Industrial Engineering in 1987. He attended the Executive Development Programme by IMD, Lausanne, Switzerland in 1997. Mr Lim is a member of the Singapore Institute of Directors.



# Financial Calendar

## ▀ FY 31 December 2018

*Announcement of Full Year Results*

**27 February 2019**

*Annual General Meeting*

**26 April 2019**

## ▀ FY 31 December 2019

*Proposed Announcement of Half Year Results*

**Middle of August 2019**

*Proposed Announcement of Full Year Results*

**Last week of February 2020**







# Report on Corporate Governance

Medtecs International Corporation Limited (the "**Company**") is committed to achieving and maintaining a high standard of corporate governance within the Company and its subsidiaries (the "**Group**"). Good corporate governance establishes and maintains a legal and ethical environment, which helps to preserve and enhance the interests of all shareholders. We will also be publishing the Company's Sustainability Report later this year which will be in line with the requirements on sustainability reporting introduced by the Singapore Exchange Securities Trading Limited.

This report describes the corporate governance framework and practices of the Company that were in place during the financial year ended 31 December 2018 ("**FY2018**") with specific reference to the principles of the Code of Corporate Governance in 2012 (the "**Code**").

This Report should be read as a whole, instead of being read separately under the different principles of the Code.

The Company has complied with the principles and guidelines of the Code. When there are deviations from the recommendations of the Code, we have provided the reasons and explanations in relation to the Company's practices when appropriate.

The Company noted the revised Code of Corporate Governance issued by the Monetary Authority of Singapore on 6 August 2018 (the "**Revised Code**") which will apply to annual reports covering financial years commencing from 1 January 2019, and the Company will adopt the Revised Code in due course.

## (A) BOARD MATTERS

### *Board's Conduct of its Affairs*

*Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.*

#### © Role of the Board of Directors (the "**Board**")

The Board assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It supervises the management of the business and affairs of the Group, provides corporate direction, monitors managerial performance and reviews financial results of the Group. In addition, the Board is directly responsible for decision making in respect of the following matters:

- a. approve the business strategies including significant acquisition and disposal of subsidiaries or assets and liabilities;
- b. approve the annual budgets, major funding proposals, significant capital expenditures and investment and divestment proposals;
- c. approve the release of the Group's half year and full year financial results and interested person transactions;
- d. oversee the processes for risk management, financial reporting and compliance, and evaluate the adequacy and effectiveness of internal controls, as may be recommended by the Audit Committee ("**AC**");
- e. review the performance of management, approve the nomination to the Board of Directors and appointment of key management personnel ("**KMP**"), as may be recommended by the Nominating Committee ("**NC**");

- f. review and endorse the framework of remuneration for the Board and KMP, as may be recommended by the Remuneration Committee ("RC");
- g. corporate policies in keeping with good corporate governance and business practice; and
- h. consider sustainability issues, e.g. environmental, social and governance factors, as part of the strategic formulation.

The Board provides shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a half yearly basis.

Other matters which specifically require the full Board's decision are those involving, inter alia:

- conflict of interests for a substantial shareholder or a Director;
- material acquisitions and disposals of assets;
- corporate or financial restructuring and share issuances;
- dividends and other returns to shareholders; and
- matters which require the Board's approval as specified under the Company's interested person transactions policy.

The Board will oversee the Group's sustainability reporting framework by monitoring the environment, social and governance issues that impact the Group's sustainability of its business.

### © Board Committees

To assist the Board in the execution of its responsibilities, the Board has established Board committees, namely the AC, the NC and the RC (collectively, the "**Board Committees**"), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis.

### © Board Meetings and Attendance

The Board meets on a quarterly basis and whenever necessary for the discharge of their duties. Dates of the Board meetings are normally set by the Directors well in advance. Telephonic attendance and conference audio-visual communication at Board and Board Committee meetings are allowed under the Company's Bye-Laws. Decisions of the Board and Board Committees may also be obtained through circular resolution.

The number of meetings held by the Board and Board Committees and attendance thereat during the past financial year are as follows:

DIRECTORS	BOARD		AC		RC		NC	
	No. of meetings	Attended	No. of meetings	Attended	No. of meetings	Attended	No. of meetings	Attended
Clement Yang Ker-Cheng	4	4	-	-	4	4	4	4
Xia Junwei	4	3	-	-	4	2	4	2
William Yang Weiyuan	4	4	-	-	4	2 <sup>(a)</sup>	4	4
Wilfrido Candelaria Rodriguez	4	4	-	-	-	-	-	-
Lim Tai Toon	4	3	4	4	4	3	4	3
Carol Yang Xiao-Qing	4	4	4	4	4	4	4	4
Lam Kwong Fai	4	2	4	3	4	3	4	3
Lim Yeow Beng	4	4	4	4	4	4	4	4

(a) Mr. William Yang Weiyuan was appointed as a member of the RC on 2 May 2018.



## © Induction and Training of Directors

The Board will constantly examine its size and, with a view to determining the impact of its number upon effectiveness, decide on what it considers an appropriate size for the Board. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

All Directors have many years of corporate experience and are familiar with their duties and responsibilities as Directors. Directors also have the opportunity to visit the Group's operational facilities and meet up with the management to gain a better understanding of the Group's business operations. At the time of appointment, Directors are provided with formal letters setting out their duties and obligations. Newly appointed Directors will be interviewed by the Sponsor and be given briefings by the Executive Chairman and/or the Chief Executive Officer ("CEO") and/or management of the Company on the business activities of the Group and its strategic directions and corporate governance practices.

The Company welcomes Directors to seek explanations or clarifications from and/or convene informal discussions with the management on any aspect of the Group's operations or business. Necessary arrangements will be made for the informal discussions or explanations as and when required.

The Directors are provided with continuing briefings and updates in areas such as Directors' duties and responsibilities, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements, so as to enable them to properly discharge their duties as Board or Board Committee members. The scope of such continuous briefings and updates includes overview of industry trends and developments, governance practices and developing trends, and changes in trends in governance practices and regulatory requirements pertaining to the business.

## *Board Composition and Balance*

*Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board consists of eight (8) Directors, of whom four (4) are independent. The list of Directors is as follows:

### **Executive Directors**

Clement Yang Ker-Cheng  
(Executive Chairman)

Xia Junwei  
(Deputy Executive Chairman)

William Yang Weiyuan  
(CEO) (Appointed as CEO on 2 May 2018)

Wilfrido Candelaria Rodriguez  
(Chief Financial Officer)

### **Independent Directors**

Lim Tai Toon (Lead Independent Director)

Carol Yang Xiao-Qing (Independent Director)

Lam Kwong Fai (Independent Director)

Lim Yeow Beng (Independent Director)

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussions and decision making. The NC is of the view that the current Board size of eight (8) Directors, of whom four (4) are Independent Directors, is appropriate and effective for the time being, taking into account the nature and scope of the Company's operations.

The current Board comprises persons with diverse expertise and experience in accounting, business and management, finance and risk management who as a group provide core competencies necessary to meet the Company's requirements. The Directors' objective judgment on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.

### © Independence of Directors

The NC reviews the independence of each Director on an annual basis based on the Code's definition of what constitutes an independent director. The NC is of the view that the four (4) Independent Directors (who represent half of the Board) are independent under Rule 406(3)(d) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Rules of Catalist**"), which came into effect on 1 January 2019, and there is a strong and independent element on the Board which is able to exercise objective judgment on corporate matters independently, in particular, from management, and that no individual or small group of individuals dominate the Board's decision-making process.

The Code requires the independence of any Director who has served on the Board for more than nine years to be rigorously reviewed. In respect of Ms. Carol Yang Xiao-Qing, who has served on the Board for more than nine years from the date of her first appointment on 1 May 2005, the NC has reviewed based on, amongst others, her attendance and contributions at meetings of the Board and Board Committees and confirmed that Ms. Carol Yang Xiao-Qing is independent. Taking into account the views of the NC, the Board concurs that Ms. Carol Yang Xiao-Qing continues to demonstrate strong independence in character and judgment in the discharge of her responsibilities as a Director of the Company. Ms. Carol Yang Xiao-Qing has continued to express her individual viewpoints, debated issues and objectively scrutinised and challenged the management. Ms. Carol Yang Xiao-Qing has sought clarification and amplification as she deemed required, including through direct access to the Group's employees. The Board as a whole has also considered and determined that Ms. Carol Yang Xiao-Qing has, over time, developed significant insights into the Group's business and operations and provided valuable contributions to the Board through her integrity, objectivity and professionalism notwithstanding her years of service. Further, having gained in-depth understanding of the business and operating environment of the Group, Ms. Carol Yang Xiao-Qing provides the Company with much needed experience and knowledge of the industry. Based on the declaration of independence from Ms. Carol Yang Xiao-Qing, she has no association with the management that could compromise her independence. The NC and the Board have concluded that Ms. Carol Yang Xiao-Qing continues to be considered as an Independent Director. Ms. Carol Yang Xiao-Qing has abstained from participating in the deliberation and decision on her independence.

Mr Lim Tai Toon, Mr. Lam Kwong Fai and Mr Lim Yeow Beng are residents in Singapore. Hence, the Company is in compliance with the Rules of Catalist which requires that there should at least be one (1) independent director who is residing in Singapore.

The Non-Executive Directors ("**NEDs**") participate actively in Board and Board Committees meetings. With their professional expertise, experience and knowledge, they provide constructive advice and guidance for effective discharge by the Board of its principal functions over the Group's strategies, businesses and other affairs. The NEDs also constructively challenge and aid the development of directions on strategy as well as review the performance of the management in achieving agreed goals and objectives. In addition, they also monitor the reporting of the Group's performance. To facilitate a more effective check on the management, the NEDs meet and discuss on the Group's affairs without the presence of the management where necessary.

### **Chairman and CEO**

*Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

The Group's Chairman is Mr Clement Yang Ker-Cheng who plays an instrumental role in developing the business of the Group and has also provided the Group with strong leadership vision.



As part of the Group's management succession plan, Mr William Yang Weiyuan, son to Mr. Clement Yang Ker-Cheng, was appointed as the CEO of the Company in place of Mr Clement Yang Ker-Cheng with effect from 2 May 2018. Mr. William Yang Weiyuan is responsible for the day-to-day operations of the Group.

Mr. Xia Junwei is the Deputy Executive Chairman who is responsible for the Group's development plans into the China market.

Both the Chairman and the CEO exercise control over the quality, quantity and timelines of information flow between the Board and the management. They ensure that Board meetings are held when necessary and set the Board meeting agenda in consultation with the Directors. The Chairman and the CEO review the Board papers before they are presented to the Board, and they ensure that Board members are provided with complete, adequate and timely information. Management staff who prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the papers or participate in the Board meeting at the relevant time. The Chairman and the CEO are responsible for ensuring effective communication with shareholders and the Company's compliance with the Code.

To ensure a balance of power and authority, Mr Lim Tai Toon was appointed as Lead Independent Director of the Company with effect from 4 May 2012. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, the CEO or the Chief Financial Officer ("**CFO**") has failed to provide satisfactory resolution, or when such contact is inappropriate. All the Independent Directors, including the Lead Independent Director, meet annually without the presence of other Executive and Non-Independent Directors to discuss matters of significance which are then reported to the Chairman and the CEO accordingly.

All the Board committees are chaired by the Independent Directors. The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence.

## **Board Membership**

*Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

The NC comprises the following seven (7) members, majority of whom, including the NC Chairman are Independent Directors:

Carol Yang Xiao-Qing (Chairman)

Lim Tai Toon

Lam Kwong Fai

Lim Yeow Beng

Clement Yang Ker-Cheng

Xia Junwei

William Yang Weiyuan

The Board considers that, Mr. Clement Yang Ker-Cheng (the Chairman), Mr. Xia Junwei (the Deputy Executive Chairman) and Mr. William Yang Weiyuan (the CEO) significantly contribute to, amongst others, the selection and appointment of new Directors and KMP. The Board further believes that the current structure and membership of the NC is beneficial to the Company and will not increase the risk of any potential conflict of trust.

The NC, which has written terms of reference, is responsible for making recommendations to the Board on all Board appointments and re-appointments. The key terms of reference of the NC are as follows:

- ◆ to identify candidates and review all nominations for the appointment or re-appointment of members of the Board, the managing director of the Group, and to determine the selection criteria;
- ◆ to ensure that all Board appointees undergo an appropriate induction programme;
- ◆ to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- ◆ to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- ◆ to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly where the Director has multiple board representations;
- ◆ to review the independence of each Director annually;
- ◆ to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- ◆ to evaluate the effectiveness of the Board as a whole and assess the contribution by each individual Director, to the effectiveness of the Board.

For the financial year under review, the NC held four (4) meetings.

The NC is responsible for re-appointment of Directors. In its deliberations on the re-appointment of existing Directors, the NC takes into consideration the Directors' contribution and performance. The assessment parameters include attendance as well as the quality of intervention and special contribution.

Pursuant to Bye-Law 86 of the Company's Bye-Laws, one-third (1/3) of the Directors shall retire from office by rotation at each annual general meeting ("**AGM**") provided that the Chairman and the CEO shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire each year. Notwithstanding this, Rule 720(4) of the Rules of Catalist which came into effect on 1 January 2019 requires that all directors must submit themselves for re-nomination and re-appointment at least once every three years. In addition, Bye-Law 85 of the Company's Bye-Laws provides that a newly appointed Director shall hold office until the next following AGM and shall be eligible for re-election at that AGM. Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a Director.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company and Group, notwithstanding that some of the Directors have multiple board representations. The NC is of the view that it would not be necessary to put a maximum limit on the number of listed company board representations and other principal commitments of each Director. In its search and nomination process for new Directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

The Board has not appointed any alternate Directors, as recommended under Guideline 4.5 of the Code.





Key information on the Directors is set out below:

Name of Directors	Position	Date of first appointment as a Director	Date of last re-appointment as a Director	Present Directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-appointment at the AGM
Clement Yang Ker-Cheng	Chairman	19 November 1997	N.A.	None	None	None	Retirement pursuant to Rule 720(4) of the Rules of Catalist
Xia Junwei	Deputy Executive Chairman	15 October 2015	30 April 2018	None	None	None	N.A.
William Yang Weiyuan	Executive Director and Chief Executive Officer	2 September 2013	29 April 2016	None	None	None	Retirement by rotation (Bye-Law 86)
Wilfrido Candelaria Rodriguez	Executive Director and Chief Financial Officer	26 November 1997	29 April 2016	None	None	None	Retirement by rotation (Bye-Law 86)
Carol Yang Xiao-Qing	Independent Director	1 May 2005	15 May 2017	None	None	None	N.A.
Lim Tai Toon	Lead Independent Director	29 October 2010	15 May 2017	None	None	None	N.A.
Lam Kwong Fai	Independent Director	31 July 2015	30 April 2018	Pan Asian Holdings Limited	None	Chief Executive Officer of 3 Peaks Capital Private Limited	N.A.
Lim Yeow Beng	Independent Director	15 November 2017	30 April 2018	None	None	None	N.A.

Note:

The details of Directors' credentials including working experience, academic and professional qualifications, shareholding in the Company and its related corporations and directorships can be found in the Board of Directors and Directors' report sections of the annual report.

The information required under Rule 720(5) of the Rules of Catalist is set out below:

Name of person	Clement Yang Ker-Cheng	William Yang Weiyuan	Wilfrido Candelaria Rodriguez
Date Of Appointment	19 November 1997	2 September 2013	26 November 1997
Date of last re-appointment (if applicable)	N.A.	29 April 2016	29 April 2016
Age	65 years old	36 years old	71 years old
Country Of Principal Residence	Taiwan	Taiwan	Philippines
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After assessing Mr. Clement Yang's contribution and performance, the NC has recommended that Mr. Clement Yang be re-elected as Director of the Company.	After assessing Mr. William Yang's contribution and performance, the NC has recommended that Mr. William Yang be re-elected as Director of the Company.	After assessing Mr. Rodriguez's contribution and performance, the NC has recommended that Mr. Rodriguez be re-elected as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Overall business strategy and development of the Group.	Executive. Responsible for day-to-day operations of the Group.	Executive. To facilitate financial matters of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman	Chief Executive Officer	Chief Financial Officer
Professional Qualifications	Bachelor's Degree	Bachelor's Degree	Bachelor's Degree
Working experience and occupation(s) during the past 10 years	CEO of Medtecs Group until 2018 Chairman Chinese Philippine Business Council	GM of Medtecs Taiwan since 2010 CEO of Medtecs Group since 2018	CFO of Medtecs Group

Name of person	Clement Yang Ker-Cheng	William Yang Weiyuan	Wilfrido CandelariaRodriguez
Shareholding interest in the listed issuer and its subsidiaries	24,673,285 (Direct Interest) 33,075,198 (Deemed Interest)	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Father to Mr William Yang Weiyuan, CEO of the Company; and spouse to Ms Sherry Chen Su-Tien, Non-Executive Chairman of Medtecs (Taiwan) Corporation, a principal subsidiary of the Company.	Son to Mr. Clement Yang Ker-Cheng, Executive Chairman of the Company; and son to Ms Sherry Chen Su-Tien, Non-Executive Chairman of Medtecs (Taiwan) Corporation, a principal subsidiary of the Company.	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
<b>Other Principal Commitments* including Directorships#</b>  * "Principal Commitments" has the same meaning as defined in the Code.  # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8) (for the past 5 years)	<ul style="list-style-type: none"> <li>• Universal Weavers Corporation</li> <li>• Contex Corporation</li> <li>• Medtex Corporation</li> <li>• Medtecs (Asia Pacific) Pte Ltd</li> <li>• Medtecs (Far East) Ltd</li> <li>• Medtecs (Taiwan) Corporation</li> <li>• Medtecs Materials Technology Corporation</li> <li>• Cooper Development Ltd</li> <li>• Medtecs (Cambodia) Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Medtecs (Taiwan) Corporation</li> <li>• Medtecs MSEZ Corp., Ltd</li> <li>• Cooper Development Ltd</li> <li>• Hangzhou Jinchen Medical Supplies Manufacture Co., Ltd</li> <li>• World Join International Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• U-NET Distributors Corp.</li> <li>• Puerto ParaguaResats Inc.</li> <li>• Universal Joint Network Technologies Philippines, Inc. (UNET)</li> <li>• WCRodriguez Inc.</li> <li>• Medtrends Distribution Corporation</li> </ul>
<b>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, general manager or other officer of equivalent rank.</b>  <b>If the answer to any question is "yes", full details must be given.</b>  (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No





Name of person	Clement Yang Ker-Cheng	William Yang Weiyuan	Wilfrido CandelariaRodriguez
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

Name of person	Clement Yang Ker-Cheng	William Yang Weiyuan	Wilfrido CandelariaRodriguez
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
<b>Disclosure applicable to the appointment of Director only.</b>			
Any prior experience as a director of an issuer listed on the Exchange?	This relates to re-appointment of Director.	This relates to re-appointment of Director.	This relates to re-appointment of Director.
If Yes, please provide details of prior experience.	N.A.	N.A.	N.A.
If No, Please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.  Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.	N.A.



## **Board Performance**

*Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its committees and the contribution by each director to the effectiveness of the Board.*

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole.

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with management and standards of conduct of the Directors. The Chairman and the CEO would then act on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors, in consultation with the NC.

In the course of the year, the NC has assessed the performance of individual Directors by preparing a questionnaire to be completed by each Director, which were then collated and the findings were analyzed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board.

## **Access to Information**

*Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

To assist the Board in fulfilling its responsibilities, the management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. All Directors have separate and independent access to the management, including the Company Secretary at all times. The Company Secretary attends all Board meetings and ensures that Board procedures and all other rules and regulations applicable to the Company are complied with. The appointment and removal of the Company Secretary are subject to the Board's approval.

Changes to regulations are closely monitored by management and for changes which have an important bearing on the Company or the Directors' disclosure obligations, the Directors are briefed during Board meetings.

The Directors and the chairmen of the respective committees, whether as a group or individually are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to approval by the Board.

## (B) REMUNERATION MATTERS

### *Procedures for Developing Remuneration Policies*

*Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The RC comprises the following seven (7) members, majority of whom, including the RC Chairman are Independent Directors:

Lam Kwong Fai (Chairman)

Lim Tai Toon

Carol Yang Xiao-Qing

Lim Yeow Beng

Clement Yang Ker-Cheng

Xia Junwei

William Yang Weiyuan (Appointed as a member on 2 May 2018)

The Board considers that Mr. Clement Yang Ker-Cheng (the Chairman), Mr Xia Junwei (the Deputy Executive Chairman) and Mr. William Yang Weiyuan (the CEO) significantly contribute in the evaluation by the RC on the performances of KMP and senior management staff. The Board further believes that the current structure and membership of the RC is beneficial to the Company and will not increase the risk of any potential conflict of interests.

The members of the RC have many years of corporate experience. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary.

The members of the RC carry out their duties in accordance with the terms of reference which include, amongst others, the following:

- ◆ to review Directors' fees to ensure that they are at sufficiently competitive levels;
- ◆ to review and administer Medtecs Share Option Scheme ("**ESOS**") for Directors of the Company and employees of the Group, details of which can be found in the Directors' report in the annual report;
- ◆ to review and advise the Board on the terms of appointment and remuneration of its members, CEO, KMP of the Group and all managerial staff who are related to any of the Directors or the CEO;
- ◆ to review the terms of the employment arrangements with management so as to develop consistent group wide employment practices subject to regional differences;
- ◆ to review the Group's obligations arising in the event of termination of the Executive Directors' and KMP's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.



- ◆ to recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme; and
- ◆ to review and approve any proposals or recommendations relating to KMPs' remuneration.

For the financial year under review, the RC held four (4) meetings.

The RC reviews all aspects of remuneration and compensation packages including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

No Director is involved in determining his own remuneration.

### ***Level and Mix of Remuneration***

*Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company and (b) KMP to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

The Company adopts a formal procedure for the fixing of the remuneration packages of individual Directors. No Director is involved in deciding his own remuneration. In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors.

Annual review of the remuneration of Directors is also carried out by the RC to ensure that the remuneration of the Executive Directors and KMP are commensurate with their performance and value-add to the Group, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Chairman and the CEO (along with that of other KMP) is reviewed periodically by the RC.

Each of the four (4) Executive Directors has signed a service contract. None of the service contracts has onerous removal clauses. Each of the Chairman's and the CEO's service contracts has a fixed appointment period.

The Company has an ESOS which aims to provide long-term incentive for Directors and KMP to encourage loyalty and align the interest of the Directors and KMP with those of the shareholders.

The Non-Executive Directors have no service contracts with the Company and their terms are specified in the Bye-Laws. Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the Board Committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account. Such fees are subject to the approval of the shareholders as a lump sum payment at the AGM.

## Disclosure on Remuneration

*Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and KMP, and performance.*

The breakdown of remuneration of the Directors, the top KMP (who are not also Directors or the CEO) and employees who are immediate family members of a Director/CEO is set out below:

### ◎ Remuneration of Directors

Names of Directors	Base/fixed salary <sup>(1)</sup> %	Variable or performance related income/bonus <sup>(2)</sup> %	Director's fee <sup>(3)</sup> %	Total %	Remuneration Bands S\$'000
<b>Executive Directors</b>					
Clement Yang Ker-Cheng	79%	—	21%	100%	Below S\$250,000
Xia Junwei	—	—	100%	100%	Below S\$250,000
William Yang Weiyuan	92%	—	8%	100%	Below S\$250,000
Wilfrido Candelaria Rodriguez	91%	—	9%	100%	Below S\$250,000
<b>Independent Directors</b>					
Lim Tai Toon	—	—	100%	100%	Below S\$250,000
Carol Yang Xiao-Qing	—	—	100%	100%	Below S\$250,000
Lam Kwong Fai	—	—	100%	100%	Below S\$250,000
Lim Yeow Beng	—	—	100%	100%	Below S\$250,000

(1) Base salary includes contractual bonus.

(2) Variable payment includes performance bonus and profit sharing

(3) Approved by shareholders of the Company as a lump sum at the AGM held on 30 April 2018

### ◎ Remuneration of Top Key Management Personnel who are not Directors or the CEO

Names of key executives (who are not directors)	Base/fixed salary <sup>(1)</sup> %	Variable or performance related income/bonus <sup>(2)</sup> %	Total %	Remuneration Bands S\$'000
Kao Vreang	100%	—	100%	Below S\$250,000
Chen Liang	100%	—	100%	Below S\$250,000

(1) Base salary includes contractual bonus.

(2) Variable payment includes performance bonus and profit sharing.

The aggregate of total remuneration paid to the top two KMP (who are not Directors or the CEO) for the financial year ended 31 December 2018 was S\$94,000.



## ◎ Remuneration of Employees who are Immediate Family Members of a Director/CEO

Sherry Chen Su-Tien was appointed as Non-Executive Chairman of Medtecs (Taiwan) Corporation on 2 May 2018. She is the wife of Executive Chairman Clement Yang Ker-Cheng and Mother of CEO William Yang Weiyuan. The aggregate of total remuneration paid to her was nil for the financial year ended 31 December 2018.

There are no termination, retirement and post-employment benefits that may be granted to Directors and KMP (who are not Directors or the CEO).

To preserve confidentiality on the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration of each individual Director and KMP.

## ◎ Approval of Shareholders

Shareholders' approval was previously obtained for the ESOS. Directors' fees were also approved by shareholders at the AGM. The remuneration framework for Executive Directors and KMP has been approved by the RC and endorsed by the Board. The Board considers that the remuneration framework need not be approved by the shareholders. Details of the ESOS are set out under the Directors' report.

## (C) ACCOUNTABILITY AND AUDIT

### *Accountability*

*Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

The management provides the Board with a continual flow of relevant information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects and meets the Board regularly for discussions on operational and financial matters.

The Board reviews and approves the results as well as any announcements before its release. The Board provides shareholders with half-yearly and annual financial reports. Results for the half year are released to shareholders within 45 days from the end of the half year. Annual results are released within 60 days from the financial year-end. In presenting the annual and half-yearly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Board also reviews legislation on and regulatory compliance reports from the management to ensure that the Group complies with the relevant regulatory requirements.

For the financial year under review, the CEO and the CFO have provided assurance to the Board on the integrity of the financial statements for the Company and its subsidiaries.

## *Risk Management and Internal Controls*

*Principle 11: The Board is responsible for the governance at risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

The Board, with the assistance from the AC, is responsible for the governance of risk by ensuring that the management maintains sound systems of risk management and internal controls to safeguard shareholders' interest and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives.

The AC is responsible for making the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the Group can be made by the Board in the annual report of the Company according to requirements in the Rules of Catalist and the Code.

On an annual basis, the Group's internal audit function prepares an audit plan taking into consideration risks identified and assessed from the risk management system. This risk-based audit plan is approved by the AC and audits are conducted to assess the adequacy and effectiveness of the Group's internal control systems in addressing financial, operational, compliance and information technology controls, and risk management system. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

All audit findings and recommendations made by the internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. The Group's internal audit function follows up on all recommendations to ensure timely remediation of audit issues and reports the status to the AC every quarter.

Assurance from the CEO and the CFO

The Board has received written assurance from the CEO and the CFO that:

- a. the financial records of the Group have been properly maintained and the financial statements for the financial year ended 31 December 2018 give a true and fair view of the Group's operations and finances; and
- b. The systems of internal controls (including financial, operational, compliance and information technology controls) and risk management established by the Group are adequate and effective in addressing the material risks in the Group in its current business environment.

Based on the reviews conducted by the management and both the internal and external auditors throughout the financial year, as well as the assurance from the CEO and the CFO, the Board with the concurrence of the AC, is of opinion that the Group's internal controls in addressing financial, operational, compliance and information technology risks as well as the Group's risk management system which the Group considers relevant and material to its operations were adequate and effective as at 31 December 2018.

The Board notes that the systems of internal controls and risk management provide reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen. Furthermore, the Board also acknowledges that no systems of internal controls and risks management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities.

Financial risks relating to the Group are set out in Note 31 to the Financial Statements of this annual report.





## *Audit Committee*

*Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

The AC comprises the following four (4) members, all of whom are Independent Directors:

Lim Tai Toon (Chairman)

Carol Yang Xiao-Qing

Lam Kwong Fai

Lim Yeow Beng

The AC oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group. All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. The Board is of the view that the AC members, having recent and relevant accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities. No former partner or director of the Company's current auditing firm or auditing corporation is a member of the AC.

The Audit Committee performs the following delegated functions in accordance with its terms of reference:

- ◆ reviews the half-yearly and annual financial statements before they are presented to the Board, focusing on:
  - significant changes in accounting policies and issues which have a direct impact on financial statements and presentation of the financial statements;
  - compliance with accounting standards, legal and the SGX-ST requirements;
  - management judgments and estimates that may have a material impact on the Group; and
  - findings of the external auditors, including significant audit adjustments and any other matters which the external auditors would like to bring to the attention of the AC;
- ◆ reviews the audit plans and scope of audit examination of the external auditors;
- ◆ evaluates the cost effectiveness, independence and objectivity of external auditors;
- ◆ reviews the adequacy of the internal audit function and the scope and results of the internal audit procedures;
- ◆ ensures the adequacy of the co-operation given by management to the internal and external auditors;
- ◆ evaluates the adequacy and effectiveness of the internal control systems including financial, operational, compliance and information technology controls, and risk management of the Group by reviewing written reports from the internal and external auditors, and the management's responses and actions to correct any deficiencies;
- ◆ reviews interested person transactions in accordance with the requirements of the Rules of Catalist;
- ◆ meets with the internal and external auditors, other committees, and the management to discuss any matters that these groups believe should be discussed privately with the AC;
- ◆ reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- ◆ reviews the nature and extent of non-audit services provided by external auditors; reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;
- ◆ advises the Board on the appointment and re-appointment of external auditors; and
- ◆ considers other matters as requested by the Board.

The "whistle-blowing" framework was put in place, where all the employees of the Group may, in confidence raise concerns about possible improprieties in matters of financial reporting or other matters. The AC reviews the "whistle-blowing" framework to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action.

The AC also monitors proposed changes in accounting policies, standards and issues which have a direct impact on financial statements and discusses the accounting implications of major transactions. In addition, the AC advises the Board on the adequacy and effectiveness of the Group's internal controls and risk management systems, and the contents and presentation of its reports.

The AC is authorised to investigate any matter within its terms of reference, and has full access to the management and also full discretion to invite any Executive Director or KMP to attend its meetings, as well as reasonable resources to enable it to discharge its function properly. The AC has also conducted a review of interested person transactions.

The AC reviews the independence of the external auditors. During this process, the AC also reviews all non-audit services provided by the external auditors to satisfy itself that the nature and extent of such non-audit services would not affect their independence. The external auditors did not provide any non-audit services during the financial year ended 31 December 2018. The AC has recommended to the Board that the external auditors be re-appointed for the ensuing year subject to shareholders' approval at the forthcoming AGM.

Annually, the AC meets with the internal auditors and the external auditors separately in the absence of the management to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, the independence and objectivity of the external auditors and the observations of the auditors.

The Company is in compliance with Rule 712, Rule 715 or Rule 716 of the Rules of Catalist in relation to its external auditors.

Fees paid to external auditors may be found in Note 24 of the financial statements of the annual report. There were no non-audit fees paid to them for the year ended 31 December 2018.

## ***Internal Audit***

***Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.***

The internal audit team is headed by the Internal Audit Manager. He reports findings and recommendations to the Chairman of the AC and reports administratively to the CEO. The Internal Audit Manager has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The AC approves the hiring, removal, evaluation and compensation of the Internal Audit Manager, reviews internal audit reports on a quarterly basis, as well as reviews and approves the annual internal audit plans and resources to ensure that the internal audit team has the necessary resources to adequately perform its functions. The AC reviews the independence, adequacy and effectiveness of the internal audit function annually so as to maintain, on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits. The Internal Audit Manager has adopted the Standards for Professional Practice of Internal Auditing (the "Standards") set by the Institute of Internal Auditors.



To ensure that internal audits are performed by competent professionals, the Company's internal audit department recruits and employs suitably qualified staff. To ensure that their technical knowledge is up-to-date, the Company identifies and provides training and development opportunities for the staff. The Company's internal audit function meets with the Standards.

For the financial year under review, the AC is of the view that the internal audit function is independent, effective and adequately resourced.

## **(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

### *Shareholder Rights*

*Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

### *Communication with Shareholders*

*Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

*Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Half year and full year results are published through the SGXNET and news releases. All information of the Company's new initiatives is disseminated via SGXNET.

All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the Rules of the Catalist, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that would be likely to materially affect the price or value of the Company's shares.

The Company does not practise selective disclosure. Price sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period. All shareholders of the Company receive the annual report and notice of AGM. The notice of AGM is also advertised in the newspapers.

The Company values dialogue sessions with its shareholders. The Company believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at the AGM. The chairmen of the AC, NC and RC of the Company are present at the general meetings to answer questions from the shareholders. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders.

Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders. There is no provision in the Company's Bye-Laws that limits the number of proxies for nominee companies.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. All resolutions are voted by poll, following which the detailed results showing, inter alia, the number of votes cast for and against each resolution and the respective percentages will be announced.

The Company Secretary, with the assistance of his representative, prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and the management. These minutes are available to shareholders upon request.

The Company does not have a fixed dividend policy. The form, frequency and amount of future dividends declared will depend on earnings, general financial position, results of operation, capital requirements, cash flow, general business condition, or development plans and other factors as the Directors may, in their absolute discretion, deem appropriate.

No dividends shall be paid to the shareholders for the financial year ended 31 December 2018, to conserve cash to meet higher working capital requirements and capital expenditures so as to improve the efficiency of the Group's operations.

## **(E) MATERIAL CONTRACTS**

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO, each of the Directors or controlling shareholders, which are either still subsisting at the end of the financial year ended 31 December 2018 or if not subsisting, entered into since the end of the previous financial year ended 31 December 2017.

## **(F) DEALING WITH SECURITIES**

In line with the Rules of Catalist, the Company has adopted and implemented its own internal compliance code on dealing in securities. This has been made known to Directors, officers and staff of the Company and of the Group. In particular, it has been highlighted that it is an offence to deal in the Company's securities when the officers (Directors and employees) are in possession of unpublished material price sensitive information in relation to those securities. Dealings in the Company's securities are prohibited one month prior to the announcement of the Company's half year and full year results. The officers are also discouraged from dealing in the Company's securities for short-term considerations. The Company, while having provided the window periods for dealing in the Company's securities, issues reminders that the law on insider trading is applicable at all times.

The Board confirms that for the financial year ended 31 December 2018, the Company has complied with Rule 1204(19) of Rules of Catalist on dealing with securities.

## **(G) CATALIST SPONSOR**

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is R & T Corporate Services Pte. Ltd. (the "Sponsor"). There was no non-sponsor fee paid by the Company to the Sponsor during the financial year ended 31 December 2018. The amount of fees paid to Rajah & Tann Singapore LLP, an affiliate of R & T Corporate Services Pte. Ltd., for work done in the financial year ended 31 December 2018, was approximately S\$35,191.

## **(H) Use of Placement Proceeds**

The Company will make periodic announcements on the utilisation of the remaining US\$1.4 million, representing 35.9% of the net proceeds of US\$3.9 million from the private placement which was completed on 15 October 2015, as and when such remaining proceeds are materially disbursed pursuant to Rule 704(30).



## LIST OF PROPERTIES

<u>DESCRIPTION</u>	<u>LOCATION</u>	<u>AREA (in sq m)</u>	<u>TENURE OF LEASE (yrs)</u>
Land	Srok Kampong Siam Kampong Cham Province, Cambodia	183,267	70 years
Factory Building	Srok Kampong Siam Kampong Cham Province, Cambodia	40,064	70 years
Factory Building	Manhattan Special Economic Zone, Corner Public Road, Thanh Village, Sangkat, Bavet City, Svay Reang Province, Kingdom of Cambodia	13,146	50 years
Office space	Khan Chankamorn, Phnom Penh Cambodia	1,368	3 years
Industrial lot	7th Street, Phase II Mariveles Bataan, Philippines	20,608	20 years
Industrial lot	SBMA, Olongapo City, Bataan, Philippines	13,124	50 years
Industrial lot	7th Street, Phase II Mariveles Bataan, Philippines	4,248	15 years
Industrial lot	7th Street, Phase II Mariveles Bataan, Philippines	5,000	50 years
Office space	7B Country Space Building 133 HV Dela Costa Street Makati City, Philippines	245	2 years
Factory and office building	Qinghe Economic Park GaoQing County, Zibo City Shandong, China	2,880	3 years
Factory building	202 Zhangshan Road, Renhe Town Yuhang District, Hangzhou, China	19,417	20 years
Land	202 Zhangshan Road, Renhe Town Yuhang District, Hangzhou, China	15,333	50 years
Office space	4F., 21 Merchant Road, Singapore 058267	5	2 years

MEDTECS INTERNATIONAL CORPORATION LIMITED  
**STATISTICS OF SHAREHOLDINGS**  
AS AT 8 MARCH 2019

Number of shares issued:	549,411,240
Class of shares:	Ordinary shares
Voting Rights:	On a show of hands, 1 vote for each member On a poll, 1 vote for each ordinary share
No. of treasury shares:	Nil

**Distribution of Shareholdings**

<u>SIZE OF SHAREHOLDINGS</u>	<u>NO. OF SHAREHOLDERS</u>		<u>NO. OF SHARES</u>	
		<u>%</u>		<u>%</u>
1 - 99	3	0.06	134	0.00
100 - 1,000	189	4.04	79,907	0.01
1,001 - 10,000	2,997	64.01	7,391,108	1.35
10,001 - 1,000,000	1,460	31.18	113,624,984	20.68
1,000,001 AND ABOVE	33	0.71	428,315,107	77.96
<b>TOTAL</b>	<b>4,682</b>	<b>100.00</b>	<b>549,411,240</b>	<b>100.00</b>

**Distribution of Shareholdings**

AS AT 8 MARCH 2019

	<u>Direct Interest</u>	<u>%</u>	<u>Deemed interest</u>	<u>%</u>
Clement Yang Ker-Cheng <sup>(a)</sup>	24,673,285	4.49	33,075,198	6.02
Xia Junwei <sup>(b)</sup>	–	–	81,862,275	14.90

(a) Clement Yang Ker-Cheng is deemed to be interested in 18,506,621 shares and 14,568,577 shares held by South World Investment Ltd. and Maybank Kim Eng Securities Pte. Ltd., respectively.

(b) Xia Junwei is deemed to be interested 81,862,275 shares held by DBS Nominee (Private) Limited.

**PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS**

74.59% OF THE Company's shares are held in the hand of the public as defined in the Listing Manual, Section B: Rules of Catalist of Singapore Exchange Securities Trading Limited ("Catalist Rules"). Accordingly, the Company has complied with Rule 723 of the Catalist Rules.



## TWENTY LARGEST SHAREHOLDERS

<u>NO.</u>	<u>NAME</u>	<u>NO. OF SHARES</u>	<u>%</u>
1	CITIBANK NOMINEES SINGAPORE PTE. LTD.	205,826,300	37.46
2	DBS NOMINEES (PRIVATE) LIMITED	84,452,875	15.37
3	YANG CLEMENT K C	24,673,285	4.49
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	18,941,163	3.45
5	SOUTH WORLD INVESTMENTS LIMITED	18,506,621	3.37
6	MORPH INVESTMENTS LTD	13,300,400	2.42
7	HOLDRICH INTERNATIONAL LTD	6,321,630	1.15
8	TOP HONESTY INTERNATIONAL CORP	6,321,630	1.15
9	CHENG LING JONG	4,671,000	0.85
10	NEO YAM CHENG OR LEE KWEE LAN	4,581,700	0.83
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,922,614	0.71
12	TAN AI LAN	3,202,900	0.58
13	PHILLIP SECURITIES PTE LTD	2,808,790	0.51
14	ONG MENG HUAT	2,800,000	0.51
15	LEONG KAH HOONG	2,100,000	0.38
16	KGI SECURITIES (SINGAPORE) PTE. LTD.	2,051,400	0.37
17	PUA BAN CHOON	1,930,000	0.35
18	CHIN KIAN FONG	1,700,000	0.31
19	NG BOON GUAT	1,600,000	0.29
20	LOO TIONG KHENG	1,595,400	0.29
	<b>TOTAL</b>	<b>411,307,708</b>	<b>74.84</b>

The Group's Taiwan Depository Receipts ("TDRs") were listed on the Taiwan Stock Exchange on 13 December 2002. The number of TDRs issued at that time was 22,000,000.

In May 2004, an additional 4,382,875 TDRs were issued because of a stock split. In October 2009, an additional tranche of 100,000,000 TDRs was issued and traded on the Taiwan Stock Exchange.

As at 8 March, 2019, the total number of TDR issued by the Company is 205,531,500, representing for 37.41% of the total number of shares in the capital of the Company.

## INTERESTED PERSON TRANSACTION

<u>Name of Interested Persons</u>	<u>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and under shareholders' mandate pursuant to Rule 920)</u>		<u>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</u>
	<u>2018</u>	<u>2017</u>	
Advances to corporate shareholder	–	–	N/A
Advances to an affiliate	–	–	N/A





**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
(Incorporated in Bermuda)

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Medtecs International Corporation Limited (the "**Company**") will be held at Maharajah Suite, Basement 1, Holiday Inn Singapore Orchard City Centre, 11 Cavenagh Road, Singapore 229616 on Friday, 26 April 2019 at 3:00p.m. for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Mr Clement Yang Ker-Cheng, a Director retiring pursuant to Rule 720(4) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Rules of Catalist**"). [See Explanatory Note (i)] **(Resolution 2)**
3. To re-elect Mr Wilfrido Candelaria Rodriguez, a Director retiring by rotation pursuant to Bye-Law 86 of the Company's Bye-Laws.[See Explanatory Note (ii)] **(Resolution 3)**
4. To re-elect Mr William Yang Weiyuan, a Director retiring by rotation pursuant to Bye-Law 86 of the Company's Bye-Laws. [See Explanatory Note (iii)] **(Resolution 4)**
5. To approve the payment of Directors' fees of S\$240,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears. (2018: S\$240,000.00) **(Resolution 5)**
6. To re-appoint Messrs SyCipGorresVelayo & Co. as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

8. "That pursuant to Rule 806 of the Rules of Catalist, authority be and is hereby given to the Directors of the Company to:
  1. (i) allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
  - (ii) make or grant offers, agreements or options that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares (collectively, the "**Instruments**"),
2. (notwithstanding that the authority conferred by paragraph 1 of this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, provided that:

- a. the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent. (100%) of the total number of issued shares excluding subsidiary holdings (as defined in the Rules of Catalist) and treasury shares of the Company (as calculated in accordance with sub-paragraph b. below), of which the aggregate number of shares to be offered other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares excluding subsidiary holdings (as defined in the Rules of Catalist) and treasury shares of the Company (as calculated in accordance with sub-paragraph b. below);
- b. for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph a. above, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Rules of Catalist) and treasury shares shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities;
  - (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and
  - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- c. in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-laws for the time being of the Company; and
- d. unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue shares pursuant to any Instrument made or granted by the Directors while this Resolution was in force notwithstanding that such authority has ceased to be in force at the time of issue of such shares."  
[See Explanatory Note (iv)] **(Resolution 7)**



9. "That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Medtecs Share Option Scheme ("**Scheme**") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding subsidiary holdings (as defined in the Rules of Catalist) and treasury shares of the Company from time to time."  
[See Explanatory Note (v)] **(Resolution 8)**

By Order of the Board

Abdul Jabbar Bin Karam Din  
Joint Company Secretary

Singapore, 3 April 2019

Explanatory Notes:

- (i) Mr Clement Yang Ker-Cheng, upon re-election as a Director of the Company, will remain as the Executive Chairman and a member of the Nominating Committee and the Remuneration Committee of the Company.
- (ii) Mr Wilfrido Candelaria Rodriguez, upon re-election as a Director of the Company, will remain as an Executive Director and the Chief Financial Officer of the Company.
- (iii) Mr William Yang Weiyuan, upon re-election as a Director of the Company, will remain as the Chief Executive Officer and a member of the Nominating Committee and the Remuneration Committee of the Company.
- (iv) Ordinary Resolution 7 proposed in item 8. above, if passed, is to empower the Directors to allot and issue shares in the capital of the Company and/or Instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 7 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed one hundred per cent. (100%) of the total number of issued shares excluding subsidiary holdings (as defined in the Rules of Catalist) and treasury shares of the Company, with a sub-limit of fifty per cent. (50%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Rules of Catalist) and treasury shares of the Company will be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Rules of Catalist) and treasury shares of the Company at the time of the passing of Resolution 7, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 7, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.
- (v) Ordinary Resolution 8 proposed in item 9. above, if passed, is to authorise the Directors to offer and grant options in accordance with the provisions of the Scheme and to allot and issue shares under the Scheme.

Notes:

1. Save as provided in the Bye-Laws, a member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. A Depositor (who is not a natural person) whose name appears in the Depository Register and who wishes to attend and vote at the Annual General Meeting, should complete the CDP Proxy Form and

deposit the duly completed CDP Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate and Advisory Services Pte Ltd, at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting. A Depositor who is a natural person need not complete the CDP Proxy Form if he/she intends to attend in person.

3. If a shareholder wishes to appoint a proxy/proxies to attend the Annual General Meeting and vote on his/her/its behalf, then the shareholders' Proxy Form must be completed and deposited at the office of the Singapore Share Transfer Agent, Boardroom Corporate and Advisory Services Pte Ltd, at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than forty-eight(48) hours before the time appointed for holding the Annual General Meeting.

#### **Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Depositor or a member of the Company (i) consents to the collection, use and disclosure of the Depositor's or the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Depositor or the member discloses the personal data of the Depositor's or the member's proxy(ies) and/or representative(s) to the Company (or its agents), the Depositor or the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Depositor or the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Depositor's or the member's breach of warranty.

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This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R&T Corporate Services Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Sponsor has not independently verified the contents of this document including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.

This document has not been examined or approved by the Exchange. The Sponsor and the Exchange assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

The contact persons for the Sponsor are Ms Evelyn Wee (Telephone Number: +65 6232 0724) and Mr. Howard Cheam Heng Haw (Telephone Number: +65 6232 0685), R&T Corporate Services Pte. Ltd., at 9 Battery Road #25-01, Singapore 049910.



## Financial Statements

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# Directors' Report

## FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts in United States dollars unless otherwise stated)

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Medtecs International Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet, profit and loss accounts, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2018.

### 1. Directors

The directors of the Company in office at the date of this report are:

Clement Yang Ker-Cheng (Chairman)  
Xia Junwei (Deputy Executive Chairman)  
William Yang Weiyuan (Chief Executive Officer)  
Wilfrido Candelaria Rodriguez  
Carol Yang Xiao-Qing  
Lim Tai Toon  
Lam Kwong Fai  
Lim Yeow Beng

Pursuant to Rule 720(4) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("the "Rules of Catalist"), Clement Yang Ker-Cheng retires and being eligible, offers himself for re-election.

In accordance with Bye-Law 86 of the Company's Bye-Laws, William Yang Weiyuan and Wilfrido Candelaria Rodriguez retire by rotation and, being eligible, offer themselves for re-election.

### 2. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph 6, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**Directors' Report (continued)**

(Amounts in United States dollars unless otherwise stated)

**3. Directors' interests in shares or debentures**

According to the register of directors' shareholdings, the following directors, who held office at the end of the financial year, had interests in the share capital and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of directors	Direct interest			Deemed interest		
	At 1	At 31	At 21	At 1	At 31	At 21
	January	December	January	January	December	January
	2018	2018	2019	2018	2018	2019
<i>Ordinary shares of the Company at \$0.05 each</i>						
Clement Yang Ker-Cheng	24,673,285	24,673,285	24,673,285	33,075,198	33,075,198	33,075,198
Xia Junwei	–	–	–	81,862,275	81,862,275	81,862,275

Clement Yang Ker-Cheng is deemed to be interested in 18,506,621 shares (1 January 2017: 18,506,621 shares), and 14,568,577 shares (1 January 2017: 14,568,577 shares) held by South World Investment Ltd. and Maybank Kim Eng Securities Pte. Ltd., respectively, as at 31 December 2018 and 21 January 2019.

Xia Junwei is deemed to be interested 81,862,275 shares (1 January 2017: 81,862,275) held by DBS Nominee (Private) Limited as at 31 December 2018 and 21 January 2019.

	At	At	At	Exercise	Expiry
	1 January	31 December	21 January	price	Date
	2018	2018	2019	S\$	
<i>Options to subscribe ordinary shares of the Company of \$0.05 each</i>					
Wilfrido Candelaria Rodriguez	300,000	300,000	300,000	0.094	10.05.2020

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
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**Directors' Report (continued)**

(Amounts in United States dollars unless otherwise stated)

**3. Directors' interests in shares or debentures (continued)**

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

**4. Other information required by the SGX-ST**

No material contracts to which the Company or any subsidiary is a party and which involve the interests of the Chief Executive Officer, each director or controlling shareholder, subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

**5. Directors' contractual benefits**

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

**6. Share options**

Only confirmed full-time employees as well as directors of the Company (other than Clement Yang Ker-Cheng and William Yang Weiyuan) who are not controlling shareholders and their associates are eligible to receive options granted under the Medtecs Share Option Scheme (the "Scheme") renewed and amended on 30 April 2012. The Remuneration Committee administering the Scheme consists of:

Lam Kwong Fai (Chairman)  
Carol Yang Xiao-Qing  
Clement Yang Ker-Cheng  
Lim Tai Toon  
Xia Junwei  
William Yang Weiyuan  
Lim Yeow Beng

The aggregate number of ordinary shares subject to outstanding options granted under the Scheme will not at any time exceed 15% of the issued share capital of the Company. The exercise price of the options shall be determined by the Committee and fixed at:

- (i) a price (the "Market Price") equal to the average of the last dealt prices of the Company's shares, as determined by reference to the Financial News or other publication published by the SGX-ST for the 5 consecutive trading days immediately preceding the date of grant; or



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**Directors' Report (continued)**

(Amounts in United States dollars unless otherwise stated)

**6. Share options (continued)**

(ii) a price which is set at a discount to the Market Price, provided that:

(a) the maximum discount shall be 20% of the Market Price as at the date of grant of the options;  
and

(b) any discount to be granted to Controlling Shareholders will have to be approved by shareholders of the Company in a general meeting and the discounted price shall not be less than the Group's net tangible assets per share as reflected in the latest audited financial statements of the Group.

Where the exercise price as determined above is less than the par value of the share, the exercise price shall be the par value.

The exercise period of the option with exercise price at Market Price commences on the first anniversary of the date of the grant while the exercise period for options with exercise price at a discount to the Market Price commences on the second anniversary of the grant. Options granted to executive directors and employees expire on the tenth anniversary of the date of grant while options granted to non-executive directors expire on the fifth anniversary of the date of grant.

Since the end of the previous financial year, there was no option granted by the Company. The share options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation. A total of 1,875,000 shares have been exercised as at the date of this report. No options were granted to employees of related corporations.

Details of all options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 31 December 2018 are as follows:

<u>Expiry date</u>	<u>Exercise price (S\$)</u>	<u>Number of options</u>
11 May 2020	0.094	2,030,000
Total		<u>2,030,000</u>

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
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**AND ITS SUBSIDIARIES**

**Directors' Report (continued)**

(Amounts in United States dollars unless otherwise stated)

**6. Share options (continued)**

Details of the options to subscribe for ordinary shares of the Company granted to directors and employees of the Group pursuant to the Scheme are as follows:

	Exercise Period	Granted during the year	Number of shares under option			Total not exercised as at 31 December 2018	Exercise price S\$
			Total granted	Total exercised	Total lapsed		
<u>Directors of the Company</u>							
Clement Yang Ker-Cheng	13.09.2003-22.04.2014	–	2,260,800	–	2,260,800	–	–
Wilfrido Candelaria Rodriguez	06.07.2003-10.05.2020	–	1,035,000	–	735,000	300,000	0.094
Carol Yang Xiao-Qing	11.05.2012-10.05.2015	–	100,000	–	100,000	–	–
<u>Other employees</u>	06.07.2003-10.05.2020	–	24,357,200	1,875,000	20,752,200	1,730,000	0.094

No employee has received 5% or more of the total options available under the Scheme.

Since the commencement of the Scheme until the end of the financial year:

- No participant other than a director mentioned above has received 5% or more of the total options available under the Scheme; and
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted.



**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**Directors' Report (continued)**

(Amounts in United States dollars unless otherwise stated)

**7. Audit Committee**

The Audit Committee ("AC") carried out its functions including the following:

- Reviewed the audit plans of internal and external auditors of the Company and reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- Reviewed the half yearly and annual financial statements and the auditors' report on the annual financial statements of the Group before submission to the Board of Directors ("BOD");
- Reviewed the adequacy and effectiveness of the Group's material internal controls systems, including financial, operational and compliance and information technology controls, and risk management via reviewed carried out by the internal auditors;
- Met with the external auditors, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that they have a material impact on the financial statements, related compliance policies and programmes and any report received from regulator;
- Reviewed the independence, effectiveness and adequacy of the internal audit function;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditors;
- Reviewed the nature and extent of non-audit services provided by the external auditors;
- Recommended to the Board of Directors the external auditors to be nominated, approved the compensation of the external auditors and reviewed the scope and results of the audit;
- Reported actions and minutes of meetings of the AC to the BOD with such recommendations as the AC considers appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Rules of Catalist.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**Directors' Report (continued)**

(Amounts in United States dollars unless otherwise stated)

**8. Auditor**

SyCip Gorres Velayo & Co. (a Member Firm of Ernst & Young Global Limited) have expressed their willingness to accept reappointment as auditor.

**On behalf of the Board of Directors:**

**CLEMENT YANG KER-CHENG**  
Director

**WILFRIDO CANDELARIA RODRIGUEZ**  
Director

Makati City, Philippines  
March 25, 2019



**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**Statement by Directors**

We, Clement Yang Ker-Cheng and Wilfrido Candelaria Rodriguez, being two of the directors of Medtecs International Corporation Limited, do hereby state that, in the opinion of the directors,

- (i) the accompanying balance sheets, profit and loss accounts, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2018 and the results of the business, changes in equity and cash flows of the Group and the results of the business and changes in equity of the Company for the year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**On behalf of the Board of Directors:**

**CLEMENT YANG KER-CHENG**  
Director

**WILFRIDO CANDELARIA RODRIGUEZ**  
Director

Makati City, Philippines  
March 25, 2019

# Independent Auditor's Report

For the financial year ended 31 December 2018

To the members of Medtecs International Corporation Limited

## Opinion

We have audited the financial statements of Medtecs International Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the profit and loss accounts, statements of comprehensive income and the statements of changes in equity of the Group and the Company and the consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet, profit and loss accounts, statement of comprehensive income and the statements of changes in equity of the Company are properly drawn up in accordance with 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 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and financial performance and changes in equity of the Company for the 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 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 opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### *Assessment of inventory valuation*

The Group has inventories amounting to USD33.9 million as of 31 December 2018 or about 30% of total assets of the Group. The related allowance for inventory obsolescence amounted to USD2.1 million as of 31 December 2018. Judgment is required in assessing the recoverability of the inventories. The Group recognizes provision for inventory obsolescence when the net realizable values of the inventory become lower than cost. We consider this a key audit matter since inventory constitutes a significant part of the Group's assets and management judgment is required in estimating the inventory's net realizable value.

Disclosure relating to the judgment in recognizing allowance for inventory obsolescence is in Notes 2.4 and 13 to the consolidated financial statements.

#### *Audit response*

We obtained an understanding of the Group's inventory valuation process and performed test of controls. We obtained and reviewed management's assessment of the net realizable values of inventories. We tested management's costing procedure in evaluating the weighted average unit cost per inventory item. On a sample basis, we tested the net realizable value by obtaining the selling price and cost to sell of the inventories based on their recent transactions. Also, we attended the inventory counts of the major subsidiaries and observed management procedures in identifying obsolete inventories.

#### *Impairment testing of goodwill*

As of December 31, 2018, the Group's goodwill has a balance of USD709,000. The annual impairment test is significant to the audit because the valuation process involves significant management judgement, is complex, and is based on assumptions that can be affected by future market and economic conditions.

Disclosure relating to impairment testing of goodwill is in Note 10 to the financial statements.

#### *Audit response*

We involved our internal specialist in assessing the methodology and assumptions used in determining the recoverable amount of goodwill. We compared significant assumptions used, such as budgeted gross margin and growth rate against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

#### *Adoption of SFRS(I) 15, Revenue from Contracts with Customers*

Effective January 1, 2018, the Group and Company adopted the new revenue recognition standard, SFRS(I) 15, Revenue from Contracts with Customers, under the full retrospective approach. In adopting the new accounting standards, management performed the following procedures: identification of the contract that would meet the requirements of SFRS(I) 15; identification of the Group's and Company's performance obligation in the contract and determination of the transaction price including variable consideration, from which application of judgment and estimation was made by management; allocating the transaction price and recognize revenue when the entity satisfies a performance obligation. Accordingly, we considered the Group's and Company's adoption of SFRS(I) 15 as a key audit matter.

Refer to Notes 2.26 (a) and 19 to the consolidated financial statements for the details of the adoption of SFRS(I) 15.

#### *Audit Response*

We obtained an understanding of the Group's and Company's process of implementing the new revenue standard, including the changes in the Group's and Company's systems, processes and controls. We reviewed the SFRS(I) 15 adoption papers and accounting policies prepared by management and the revenue streams identification and scoping, and contract analysis. We obtained sample contracts and reviewed the management's determination of performance obligation and the transaction price including variable consideration and the and timing of revenue recognition. We reviewed the disclosure on the adoption of SFRS(I) 15.

#### **Other Information**

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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 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, 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.

### **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.

### **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 judgment and maintain professional skepticism 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.

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 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, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations 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 auditor's report is Jose Pepito E. Zabat III.

#### **SYCIP GORRES VELAYO & CO.**

(A Member Firm of Ernst & Young Global Limited)  
Certified Public Accountants

Makati City, Philippines  
25 March 2019

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**BALANCE SHEETS**

**AS AT 31 DECEMBER 2018**

(Amounts in United States dollars)

	Note	Group		Company	
		2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	21,600	23,410	44	61
Investment properties	7	3,061	3,225	–	53
Assets held for leasing	8	6,317	5,148	–	–
Investment in subsidiaries	9	–	–	24,883	24,883
Goodwill	10	709	709	–	–
Deferred tax assets	25	13	15	13	15
Other non-current assets	12	6,744	6,057	3,800	3,267
		<u>38,444</u>	<u>38,564</u>	<u>28,740</u>	<u>28,279</u>
<b>Current assets</b>					
Inventories	13	33,850	34,312	77	84
Trade receivables	14	14,727	15,303	7,034	8,393
Other current assets	15	17,088	16,975	15,477	15,600
Due from subsidiaries (trade)	11	–	–	34,676	20,718
Fixed deposits	16	4,260	2,654	250	–
Cash and bank balances	16	4,521	1,731	46	29
		<u>74,446</u>	<u>70,975</u>	<u>57,560</u>	<u>44,824</u>
<b>Total assets</b>		<u>112,890</u>	<u>109,539</u>	<u>86,300</u>	<u>73,103</u>

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**BALANCE SHEETS (continued)**

**AS AT 31 DECEMBER 2018**  
(Amounts in United States dollars)

	Note	Group		Company	
		2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Trade payables and other current liabilities	17	6,801	8,115	730	818
Due to subsidiaries (trade)	11	–	–	56,588	48,047
Term loans (current portion)	18	2,185	1,039	1,250	–
Trust receipts and acceptances payable	18	–	597	–	–
Bank loans	18	32,716	32,809	–	–
Income tax payable		1,097	1,499	2	1
		<u>42,799</u>	<u>44,059</u>	<u>58,570</u>	<u>48,866</u>
<b>Net current assets/(liabilities)</b>		<u>31,647</u>	<u>26,916</u>	<u>(1,010)</u>	<u>(4,042)</u>
<b>Non-current liabilities</b>					
Term loans	18	5,913	1,634	3,750	–
Deferred tax liabilities	25	202	202	–	–
Pension benefit obligation	21	585	721	133	183
Deferred lease income	29	43	–	–	–
		<u>6,743</u>	<u>2,557</u>	<u>3,883</u>	<u>183</u>
<b>Total liabilities</b>		<u>49,542</u>	<u>46,616</u>	<u>62,453</u>	<u>49,049</u>
<b>Net assets</b>		<u>63,348</u>	<u>62,923</u>	<u>23,847</u>	<u>24,054</u>

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**BALANCE SHEETS (continued)**

**AS AT 31 DECEMBER 2018**

(Amounts in United States dollars)

	Note	Group		Company	
		2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000
<b>Equity attributable to equity holders of the Company</b>					
Share capital	3	27,471	27,471	27,471	27,471
Share premium		4,721	4,721	4,721	4,721
Employee share option reserve	4	294	294	294	294
Equity component of convertible bonds	5	267	267	267	267
Revenue reserves/(deficit)	5	29,585	28,671	(9,000)	(8,730)
Remeasurement gains(losses)	21	249	73	94	31
Foreign currency translation reserves	5	(88)	587	–	–
Other reserves	3	(167)	(167)	–	–
		62,332	61,917	23,847	24,054
<b>Non-controlling interests</b>		1,016	1,006	–	–
<b>Total equity</b>		63,348	62,923	23,847	24,054
<b>Total equity and liabilities</b>		112,890	109,539	86,300	73,103

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**PROFIT AND LOSS ACCOUNTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

(Amounts in United States dollars)

	Note	Group		Company	
		2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>	19	68,304	61,826	13,425	12,608
Costs of sales and services		(58,020)	(52,148)	(11,132)	(9,513)
<b>Gross profit</b>		10,284	9,678	2,293	3,095
<b>Other items of income</b>					
Other income - net	20	449	242	126	743
Financial income	22	111	13	1	1
<b>Other items of expense</b>					
Distribution and selling expenses		(2,683)	(2,673)	(397)	(380)
Administrative expenses		(4,977)	(4,538)	(1,479)	(1,315)
Financial expenses	23	(1,998)	(1,767)	(812)	(600)
<b>Profit/(loss) before tax</b>		1,186	955	(268)	1,544
Income tax expense	25	(272)	(82)	(2)	1
<b>Net profit/(loss) for the year</b>		914	873	(270)	1,545
<b>Attributable to:</b>					
Equity holders of the Company		914	883	(270)	1,545
Non-controlling interests		–	(10)	–	–
<b>Net profit/(loss) for the year</b>		914	873	(270)	1,545
Earnings/(loss) per share attributable to the equity holders of the Company (cents per share)	26				
- basic		0.166	0.161		
- fully diluted		0.166	0.161		

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

(Amounts in United States dollars)

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Net profit/(loss) for the year	914	873	(270)	1,545
Other comprehensive income/(loss):				
<i>Items that will be reclassified to profit or loss:</i>				
Translation adjustments	(665)	104	–	–
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurement gains	176	87	63	14
<b>Total comprehensive income/(loss)</b>	<b>425</b>	<b>1,064</b>	<b>(207)</b>	<b>1,559</b>
<b>Attributable to:</b>				
Equity holders of the Company	415	1,072	(207)	1,559
Non-controlling interests	10	(8)	–	–
<b>Total comprehensive income/(loss)</b>	<b>425</b>	<b>1,064</b>	<b>(207)</b>	<b>1,559</b>

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**STATEMENTS OF CHANGES IN EQUITY**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

(Amounts in United States dollars)

2018 Group	Share capital (Note 3) \$'000	Share premium \$'000	Employee share option reserve (Note 4) \$'000	Equity	Remeas	Foreign currency translation reserves (Note 5) \$'000	Revenue reserves (Note 5) \$'000	Other reserves (Note 3) \$'000	Non- controlling interests (Note 3) \$'000	Total equity \$'000
				component of convertible bonds (Note 5) \$'000	urement gains (losses) (Note 21) \$'000					
<b>Opening balance at 1 January 2018</b>	27,471	4,721	294	267	73	587	28,671	(167)	1,006	62,923
Net profit for the year	—	—	—	—	—	—	914	—	—	914
<u>Other comprehensive income</u>										
Foreign currency translation reserves	—	—	—	—	—	(675)	—	—	10	(665)
Remeasurement gains	—	—	—	—	176	—	—	—	—	176
Other comprehensive income/(loss) for the year	—	—	—	—	176	(675)	—	—	10	(489)
Total comprehensive income for the year	—	—	—	—	176	(675)	914	—	10	425
<b>Closing balance at 31 December 2018</b>	27,471	4,721	294	267	249	(88)	29,585	(167)	1,016	63,348

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**STATEMENTS OF CHANGES IN EQUITY (continued)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

(Amounts in United States dollars)

2017 Group	Share capital (Note 3) \$'000	Share premium \$'000	Employee share option reserve (Note 4) \$'000	Equity	Remeas	Foreign currency translation reserves (Note 5) \$'000	Revenue reserves (Note 5) \$'000	Other reserves (Note 3) \$'000	Non- controlling interests (Note 3) \$'000	Total equity \$'000
				component of convertible bonds (Note 5) \$'000	urement gains (losses) (Note 21) \$'000					
<b>Opening balance at 1 January 2017</b>	27,471	4,721	294	267	(14)	485	27,788	(167)	1,014	61,859
Net profit for the year	–	–	–	–	–	–	883	–	(10)	873
<u>Other comprehensive income</u>										
Foreign currency translation reserves	–	–	–	–	–	102	–	–	2	104
Remeasurement gains	–	–	–	–	87	–	–	–	–	87
Other comprehensive income/(loss) for the year	–	–	–	–	87	102	–	–	2	191
Total comprehensive income for the year	–	–	–	–	87	102	883	–	(8)	1064
<b>Closing balance at 31 December 2017</b>	27,471	4,721	294	267	73	587	28,671	(167)	1,006	62,923

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*





**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**STATEMENTS OF CHANGES IN EQUITY (continued)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

(Amounts in United States dollars)

<b>Company</b>	Share capital (Note 3) \$'000	Share premium \$'000	Employee share option reserve (Note 4) \$'000	Equity component of convertible bonds (Note 5) \$'000	Remeasu- rement gains (losses) (Note 21) \$'000	Deficit (Note 5) \$'000	Total deficit \$'000	Total Equity \$'000
<b>Opening balance at 1 January 2017</b>	27,471	4,721	294	267	17	(10,275)	(9,697)	22,495
Net loss for the year	-	-	-	-	-	1,545	1,545	1,545
Other comprehensive loss for the year	-	-	-	-	14	-	14	14
Total comprehensive income/(loss) for the year	-	-	-	-	14	1,545	1,559	1,559
<b>Balance at 31 December 2017 and 1 January 2018</b>	27,471	4,721	294	267	31	(8,730)	(8,138)	24,054
Net loss for the year	-	-	-	-	-	(270)	(270)	(270)
Other comprehensive income for the year	-	-	-	-	63	-	63	63
Total comprehensive income/(loss) for the year	-	-	-	-	63	(270)	(207)	(207)
<b>Closing balance at 31 December 2018</b>	27,471	4,721	294	267	94	(9,000)	(8,345)	23,847

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

(Amounts in United States dollars)

	Note	2018 \$'000	2017 \$'000
<b>Operating activities</b>			
Profit before tax		1,186	955
Adjustments for:			
Depreciation and amortisation	6 and 7	2,429	2,724
Amortisation of assets held for leasing	8 and 24	2,525	2,076
Interest expense	23	1,797	1,443
Provisions for inventory obsolescence		450	158
Provisions for impairment		150	–
Other finance costs	23	201	324
Interest income	22	(111)	(13)
Loss on disposal of assets held for leasing	20	–	15
Gain on disposal of property, plant and equipment	20	(29)	–
Operating cash flows before changes in working capital		8,598	7,682
(Increase)/decrease in:			
Inventories		(152)	17
Trade receivables		25	(2,198)
Other current assets		(114)	(1,541)
Increase/(decrease) in:			
Pension benefits obligation		82	81
Trade payables and other current liabilities		(1,455)	(766)
Trust receipts and acceptances payable		(597)	(270)
Cash flows from operations		6,387	3,005
Interest received		111	13
Income taxes paid		(672)	(327)
Other finance cost paid		(201)	(324)
Net cash flows from operating activities		5,625	2,367

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT (continued)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

(Amounts in United States dollars)

	Note	2018 \$'000	2017 \$'000
<b>Investing activities</b>			
Proceeds from disposal of:			
Property, plant and equipment		1,189	–
Assets held for leasing		–	104
Increase in other non-current assets		(687)	(1,673)
Purchases of:			
Property, plant and equipment	6	(1,615)	(952)
Assets held for leasing	8	(3,694)	(2,143)
Net cash flows used in investing activities		(4,807)	(4,664)
<b>Financing activities</b>			
Net proceeds from (payment of) short-term bank loans		(93)	3,234
Increase in fixed deposits		(1,606)	(735)
Interest paid		(1,797)	(1,443)
Net proceeds from term loans		5,425	1,391
Increase in other non-current liability		43	–
Net cash flows from financing activities		1,972	2,447
<b>Net increase in cash and bank balances</b>		2,790	150
<b>Cash and bank balances at 1 January</b>		1,731	1,581
<b>Cash and bank balances at 31 December</b>	16	4,521	1,731

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

(Amounts in United States dollars unless otherwise stated)

**1. CORPORATE INFORMATION**

Medtecs International Corporation Limited (the “Company”) is a limited liability company, which is domiciled in the Philippines, incorporated in Bermuda and is listed on the Catalist board of the Singapore Exchange Securities Trading Limited (SGX-ST Catalist).

The Company’s registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at 7B Country Space1 Building, 133 H.V. Dela Costa St., Makati City, Philippines.

The principal activities of the Company are the manufacture and sale of medical supplies and equipment and woven and knitted medical textile products. The principal activities of the subsidiaries are set out in Note 9 to the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

**2.1 Basis of preparation**

The consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) and the balance sheets, profit and loss account, statement of comprehensive income and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). The adoption of SFRS(I) has no impact on the Group and Company’s financial performance or position. Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States dollars (US\$) and all values in the tables are rounded to the nearest thousand (\$’000) unless otherwise indicated.



**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
(Amounts in United States dollars unless otherwise stated)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

**2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))**

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The adoption of SFRS(I) and new standards that are effective on 1 January 2018 are disclosed below.

**Exemptions applied on adoption of SFRS(I)**

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.
- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

**New accounting standards effective on 1 January 2018**

The accounting policies adopted are consistent with those previously applied under FRS except that in current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

**a) SFRS(I) 9 *Financial Instruments***

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
(Amounts in United States dollars unless otherwise stated)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognized before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. Cash and bank balances and fixed deposits, trade receivables and other current assets classified as Loans and Receivables as at 31 December 2017 are classified as Debt instruments at amortised cost beginning 1 January 2018. There are no changes in classification and measurement for the Group's financial liabilities.

The classification and measurement requirements of SFRS(I) 9 did not have a significant impact to the Group except for the change in the classification of the Group's financial assets.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income. As at 31 December 2018 and 2017, the Group has no equity instruments.

Overall impact

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with FRS 39 to their new measurement categories upon transition to SFRS(I) 9 on January 1, 2018:

Group	FRS 39		SFRS(I) 9		
	Category	Amount \$'000	Remeasurements \$'000	Category	Amount \$'000
<b>Financial Assets</b>					
Cash and bank balances	Loans and receivables	1,731	–	Amortized cost	1,731
Fixed deposits	Loans and receivables	2,654	–	Amortized cost	2,654
Trade receivables	Loans and receivables	15,303	–	Amortized cost	15,303
Other current assets	Loans and receivables	1,117	–	Amortized cost	1,117
<b>Total Financial Assets</b>		<b>20,805</b>	–		<b>20,805</b>

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
**AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
(Amounts in United States dollars unless otherwise stated)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

Classification and measurement (continued)

Company	FRS 39		Remeasurements \$'000	SFRS(I) 9	
	Category	Amount \$'000		Category	Amount \$'000
<b>Financial Assets</b>					
Cash and bank balances	Loans and receivables	29	–	Amortized cost	29
Due from subsidiaries (trade)	Loans and receivables	20,718	–	Amortized cost	20,718
Trade receivables	Loans and receivables	8,393	–	Amortized cost	8,393
Other current assets	Loans and receivables	544	–	Amortized cost	544
<b>Total Financial Assets</b>		<b>29,684</b>	<b>–</b>		<b>29,684</b>

Provision for expected credit losses of trade receivables

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 31 (d).

The adoption of SFRS(I) 9 did not have a significant impact on the Group and Company's financial performance or position. Allowance for expected credit losses amounted to \$225,000 and \$127,000, as of 31 December 2018 and 2017, respectively.

**MEDTECS INTERNATIONAL CORPORATION LIMITED**  
**(Incorporated in Bermuda)**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
(Amounts in United States dollars unless otherwise stated)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

**b) SFRS(I) 15 Revenue from Contracts with Customers**

The Group has adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

SFRS(I) establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SFRS(I) requires entities to exercise judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental cost of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Under FRS 18, revenue from goods/services is recognized in the period good/services is delivered/rendered. Under SFRS(I) 15, the Group has concluded that revenue from hospital services should be recognized over time since the customer simultaneously receives and consumes the benefit as the seller performs/provides the service. The Group will apply the right to invoice practical expedient that allows the Group to recognize revenue as invoiced which is the amount that corresponds directly with the value to the customer of the entity's performance to date. On the other hand, revenue from original product manufacturing (OPM) and trading should be recognized at a point-in-time since the control over the goods are transferred upon delivery of the goods to the customer. The application of constraint on variable consideration for goods and hospital services resulted in the same revenue recognition under FRS 18.

The Group applied SFRS(I) 15 retrospectively. The adoption of SFRS(I) 15 has no impact on the Group and Company's financial performance or position.

**2.3 Standards issued but not yet effective**

The Group has not adopted the following standards and interpretation that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

Except for SFRS(I) 16 the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.





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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES  
(continued)**

**2.3 Standards issued but not yet effective (continued)**

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group is currently in the process of analyzing the transitional approaches and practical expedient to be elected on the transition to SFRS(I) 16 and assessing the possible impact of adoption.

**2.4 Significant accounting estimates and judgments**

The preparation of the Group’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

**2.4 Significant accounting estimates and judgments (continued)**

**a) Judgments made in applying accounting policies**

In the process of applying the Group's accounting policies, management has made the following judgments apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

i) Determination of functional currency

The functional currency of the individual companies within the Group has been determined by management based on the currency that most faithfully represents the primary economic environment in which the individual companies operate and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the individual companies within the Group.

ii) Determination of the significant parts or components of the property, plant and equipment for depreciation

The Group has determined that it has appropriately identified the significant parts or components of the property, plant and equipment for depreciation purposes.

iii) Determination whether an arrangement contains a lease

The Group has entered into leases on its manufacturing plants, other property, plant and equipment and assets held for leasing with various parties.

The Group uses its judgment in determining whether an arrangement is, or contains, a lease based on the substance of the arrangement and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Group.

iv) Distinction between investment property and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process. When properties comprise a portion that is held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services or for administrative purpose, and these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making judgment. The carrying amount of the Group's investment properties as at 31 December 2018 was \$3.1 million (2017: \$3.2 million). More details are given in Note 7.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

**2.4 Significant accounting estimates and judgments (continued)**

**a) Judgments made in applying accounting policies (continued)**

- v) Determination of subsidiary/ies that has/have material non-controlling interest

The Group determines whether a subsidiary has a material non-controlling interest based on the profit or loss or other comprehensive income of the subsidiary attributable to the non-controlling interest to the Group's profit or loss or other comprehensive income for the reporting period, respectively, and the carrying amount of the non-controlling interest attributable to the subsidiary relative to the net equity of the Group, among others. The Group has not identified a subsidiary that has a material non-controlling interest.

- vi) Estimating variable consideration

Management has determined that the expected value method would be appropriate in estimating the variable consideration. Management has exercised judgment in applying the constraint on the estimated variable consideration that can be included in the transaction price since the amount is highly susceptible to factors outside the Group's influence and has a large number and broad range of possible consideration.

- vii) Recognition of revenue from rendering of service

The obligation to provide the service is satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group. The Group measures the satisfaction of the performance obligation based on the value transferred to the customer. The Group will apply the right to invoice practical expedient that allows the Group to recognize revenue as invoiced which is the amount that corresponds directly with the value to the customer of the entity's performance to date.

**b) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- i) Impairment of goodwill, property, plant and equipment, investment property and assets held for leasing

The Group determines whether goodwill, property, plant and equipment, investment property and assets held for leasing are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the assets are allocated. Estimating the value in use requires the Group to make estimates of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of the Group's goodwill, property, plant and equipment, investment property and assets held for leasing as at 31 December 2018 were \$709,000 (2017: \$709,000), \$21.6 million (2017: \$23.4 million), \$3.1 million (2017: \$3.2 million) and \$6.3 million (2017: \$5.1 million), respectively.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

**2.4 Significant accounting estimates and judgments (continued)**

**b) Key sources of estimation uncertainty (continued)**

The carrying amount of the Company's property, plant and equipment as at 31 December 2018 was \$44,000 (2017: \$61,000). More details are given in Notes 6, 7, 8 and 10.

ii) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 December 2018 was \$1.1 million (2017: \$1.5 million). The carrying amount of the Company's income tax payable as at 31 December 2018 was \$2,000 (2017: \$1,000).

iii) Deferred taxes

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of the Group's recognised deferred tax assets and deferred tax liabilities as at 31 December 2018 were \$13,000 (2017: \$15,000) and \$202,000 (2017: \$202,000), respectively. The carrying amount of the Company's recognised deferred tax assets as at 31 December 2018 were \$13,000 (2017: \$15,000). More details are given in Note 25.

iv) Provision for expected credit losses (ECLs) of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES  
(continued)**

**2.4 Significant accounting estimates and judgments (continued)**

**b) Key sources of estimation uncertainty (continued)**

The assessment of the correlation between historical observed default rates, forecast economic conditions (gross domestic product growth rates, gross national income growth rates, net primary income rates, consumer price index and inflation rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 14.

The carrying amount of trade receivables as at 31 December 2018 are \$14.7 million (2017: \$15.3 million).

v) Useful lives of property, plant and equipment and investment property

The Group estimates the useful lives of its property, plant and equipment and investment properties based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of the property, plant and equipment and investment properties based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The carrying amount of the Group's property, plant and equipment and investment properties as at 31 December 2018 were \$21.6 million (2017: \$23.4 million) and \$3.1 million (2017: \$3.2 million), respectively. The carrying amount of the Company's property, plant and equipment as at 31 December 2018 was \$44,000 (2017: \$61,000). More details are given in Notes 6 and 7.

vi) Allowance for inventory obsolescence

The Group recognises provision for inventory obsolescence when the net realisable values of inventory items become lower than cost due to obsolescence or other causes. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods, when identified, are charged to costs and are written down to its net realisable value. The Group reviews on a monthly basis the condition of its inventories. The assessment of the condition of the inventory items either increases or decreases the expenses or total inventory costs. The Group's allowance for inventory obsolescence as at 31 December 2018 was \$2.1 million (2017: \$1.6 million). The Company's allowance for inventory obsolescence as at 31 December 2018 was nil (2017: nil). As at 31 December 2018, the carrying amount of the Group's inventories, net of allowance for inventory obsolescence, was \$33.9 million (2017: \$34.3 million). The carrying amount of the Company's inventories, net of allowance for inventory obsolescence, as at 31 December 2018 was \$77,000 (2017: \$84,000). More details are given in Note 13.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

**2.4 Significant accounting estimates and judgments (continued)**

**b) Key sources of estimation uncertainty (continued)**

vii) Pension benefits obligation

The determination of the obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. These assumptions include, among others, discount rates and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations. The carrying amount of the Group's pension benefits obligation as at 31 December 2018 was \$585,000 (2017: \$721,000). The carrying amount of the Company's pension benefits obligation as at 31 December 2018 was \$133,000 (2017: \$183,000). More details are given in Note 21.

viii) Fair value of share options

The fair value of the share options is estimated as of the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The Group uses its judgment on the inputs to the model used and makes assumptions that are mainly based on the conditions as of the date of grant. The carrying amount of the Group's and Company's employee share option reserve as at 31 December 2018 and 2017 was \$294,000. More details are given in Note 4.

ix) Contingencies

In the ordinary course of business, certain companies in the Group are parties in various litigations and claims. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and external counsels handling the Group's defense in these matters and is based upon an analysis of potential results.

Although there can be no assurances, management believes, based on information currently available and professional legal advice, that the ultimate resolution of these legal proceedings would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these litigations and claims.

**2.5 Subsidiaries and basis of consolidation**

**a) Subsidiaries**

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed or has rights to the variable returns from its involvement with the investee and has the ability to affect those returns through the power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. The Company recognizes income from investment only to the extent that the Company receives distribution from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

**2.5 Subsidiaries and basis of consolidation (continued)**

**b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- i. De-recognises the asset (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- ii. De-recognises the carrying amount of any non-controlling interest;
- iii. De-recognises the cumulative translation differences recorded in equity;
- iv. Recognises the fair value of the consideration received;
- v. Recognises the fair value of any investment retained;
- vi. Recognises any surplus or deficit in profit or loss;
- vii. Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

**c) Business combinations and goodwill**

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

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**(continued)**

**2.5 Subsidiaries and basis of consolidation (continued)**

**c) Business combinations and goodwill (continued)**

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.11. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

**2.6 Transactions with non-controlling interest**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

**2.7 Functional and foreign currency**

**a) Functional and presentation currency**

The Group's consolidated financial statements are expressed in US\$, which is also the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency.

The management has determined the currency of the primary economic environment in which the Company operates to be the US\$. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by the fluctuation of the US\$.





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(continued)**

**2.7 Functional and foreign currency (continued)**

**a) Functional and presentation currency (continued)**

Transactions in foreign currencies are measured in the respective functional currencies of the individual companies within the Group and are recorded on initial recognition in the functional currencies at exchange rates approximating those prevailing at transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

**b) Foreign currency translations and balances**

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the profit and loss accounts, except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserves in equity. The foreign currency translation reserve is reclassified from equity to the profit and loss accounts of the Group on disposal of the foreign operations. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss accounts.

The results and financial position of foreign operations are translated into US\$ using the following procedures:

- Assets and liabilities of foreign operations are translated at the closing rate prevailing at the end of the reporting period; and
- Income and expenses for each profit and loss account are translated at average monthly exchange rates, which approximate the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised as a separate component of equity under foreign currency translation reserve account.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

Goodwill and fair value adjustments which arose on acquisition of foreign subsidiaries before 1 January 2005 are deemed to be assets and liabilities of the Company and recorded in US\$ at the rates prevailing at the time of acquisition.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that particular foreign operation is recognised in the profit and loss accounts as a component of the gain or loss on disposal.

In the case of a partial disposal without loss of control of a subsidiary that includes foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

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**(continued)**

**2.8 Related parties**

A related party is defined as follows:

- (a) A person or close member of that person's family is related to the Group and Company if that person:
- i. Has control or joint control over the Company;
  - ii. Has significant influence over the Company; or
  - iii. Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following condition applies:
- i. The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint venture of a third entity and the other entity is an associate of the third entity.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - vi. The entity is controlled or jointly controlled by a person identified in (a).
  - vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**2.9 Property, plant and equipment**

**a) Recognition and measurement**

All items of property, plant and equipment are initially recorded at cost.

Subsequent to recognition, property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

**b) Depreciation**

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Leasehold buildings and improvements are depreciated over the term of the lease or the life of the asset, whichever is shorter. The estimated useful lives of property, plant and equipment are as follows:

	<u>Years</u>
Machinery, equipment and others	10 - 15
Furniture, fixtures and equipment	3 - 10
Transportation equipment	5 - 10
Leasehold improvements	3 - 10

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

**2.9 Property, plant and equipment (continued)**

The residual values, useful lives and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate, to ensure that the values, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

**c) Subsequent expenditure**

Subsequent expenditure, excluding the cost of day-to-day servicing, relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits will flow to the Group and the cost can be reliably measured.

Such expenditure includes the cost of replacing part of such property, plant and equipment when the cost is incurred, if the recognition criteria are met. Other subsequent expenditure is recognised as an expense in the profit and loss accounts during the year in which it is incurred.

**d) Disposal**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the item is included in the profit and loss accounts in the year the asset is derecognised.

**2.10 Investment properties**

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or service, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance lease.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is computed on a straight-line basis over the estimated useful life of 10-48 years or term of the lease, whichever is shorter.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property calculated as the difference between the net disposal proceeds and the carrying amount of the item is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

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**2.10 Investment properties (continued)**

Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

**2.11 Intangible assets**

**Goodwill**

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit and loss accounts. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.7.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in US\$ at rates prevailing at the date of acquisition.

**2.12 Land use rights**

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term.



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**2.13 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money paid and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are covering generally a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the profit and loss accounts in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For asset excluding goodwill, assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss accounts unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

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**2.14 Financial instruments**

**a) Financial assets**

i) Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

ii) Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

1) Amortized cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

This accounting policy applies primarily to the Group's and Company's cash and bank balances, fixed deposits, trade and other receivables, advances to employees, and refundable deposits. The accounting policy also applies to the Company's due from subsidiaries (trade).

2) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.



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**2.14 Financial instruments (continued)**

**a) Financial assets (continued)**

3) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

ii) Subsequent measurement (continued)

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

iii) Derecognition of financial assets

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

**b) Financial liabilities**

i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

ii) Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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**2.14 Financial instruments (continued)**

**b) Financial liabilities (continued)**

iii) Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

**2.15 Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.





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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES  
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**2.16 Cash and bank balances and fixed deposits**

Cash and bank balances comprise of cash on hand, demand deposits and short-term, highly-liquid investments that are readily convertible to known amounts of cash, with maturities of up to three months from date of acquisition, and that are subject to an insignificant risk of changes in values. These also include bank overdrafts that form an integral part of the Group's cash management.

Fixed deposits are loan arrangements where specific amount of fund is placed on deposit under the name of the account holder. Fixed deposits cannot be withdrawn for a specified period of time and usually earn a fixed interest according to the terms and conditions that govern the loan which is usually current in nature.

**2.17 Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials: purchase costs on a weighted average method;
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**2.18 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in provision due to passage of time is recognised as a finance cost.

Provisions for warranty-related costs are recognised when the product is sold or service is provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

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**2.19 Financial guarantee**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit and loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the profit and loss.

**2.20 Borrowing costs**

Borrowing costs are recognised in the profit and loss accounts as incurred, except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and the borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**2.21 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Deferred transaction costs represent costs incurred to obtain project financing. Deferred transaction costs are amortized, using the effective interest rate method, over the lives of the related long-term debt.

Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss accounts over the period of the borrowings using the effective interest rate method. Borrowings which are due to be settled within 12 months after the end of the reporting period are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the end of the reporting period are presented as "Term loans" under non-current liabilities in the balance sheets.

**2.22 Employee benefits**

**a) Defined benefits pension plans**

The Group operates defined benefits pension plans. The pension benefits in the Philippines are unfunded and non-contributory covering substantially all the regular employees of the Group's subsidiaries in the Philippines. Pension benefit expense is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Pension benefit expense includes current service cost and interest cost. Remeasurement gains and losses are recognised under other comprehensive income in the period in which they occur.



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**a) Defined benefits pension plans (continued)**

The past service cost is recognised as an expense when the plan amendment occurs regardless of whether they are vested.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation reduced by past service cost not yet recognised.

**b) Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the subsidiaries in the Group operating in Singapore and Taiwan make contributions to the Central Provident Fund scheme, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

**c) Employee share option plans**

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for non-transferable share options ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss accounts for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest.

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**2.23 Employee benefits (continued)**

**c) Employee share option plans (continued)**

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified if the original terms of the award are met. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transactions award are treated equally.

Share-based payment transaction in which the Company grants rights to its equity instruments direct to the employees of its subsidiaries is accounted for as equity-settled transactions. This applies to the separate or individual financial statements of the Company and its subsidiaries and also to the Group's consolidated financial statements.

The subsidiaries account for the transaction as an equity-settled share-based payment transaction, with a corresponding increase recognised in equity as a capital contribution from the parent. In this situation, the Company has made a capital contribution to the subsidiaries, by granting rights to its equity instruments direct to the subsidiaries' employees.

Similarly, in the Company's separate financial statements, the Company recognises the grant of equity instruments and the capital contribution made to its subsidiaries.

The Group has taken advantage of the transitional provisions of SFRS(I) 102 in respect of equity-settled awards and has applied SFRS(I) 102 only to equity-settled awards granted after 22 November 2002 that had not vested on or before 1 January 2005.

**d) Employee leave entitlement**

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. An estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

**e) Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.



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**2.23 Employee benefits (continued)**

**e) Termination benefits (continued)**

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

**2.24 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset even if that right is not explicitly specified in an arrangement. A reassessment is made after inception of the lease only if one of the following applies:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfillment is dependent on a specific asset; or
- d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

**a) As lessee**

Operating lease payments are recognised as an expense in the profit and loss accounts on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**b) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income (Note 2.26).

**2.25 Assets held for leasing**

Assets held for leasing are carried at cost and consist mainly of medical clothes and quilts. These are amortised on a straight-line basis over five years.

Assets held for leasing are derecognised either when they have been disposed of or when the assets are permanently withdrawn from use and no future economic benefit is expected from the assets' disposal. Any gains or losses on the retirement or disposal of assets held for leasing are recognised in the profit and loss accounts in the year of retirement or disposal.

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**2.26 Revenue recognition**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The following specific recognition criteria must also be met before revenue is recognised:

**a) Sale of goods**

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume discounts and adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group recognises the expected volume discounts payable to customer where consideration have been received from customers and refunds due to expected returns from customers as refund liabilities. Separately, the Group recognises a related asset for the right to recover the returned goods, based on the former carrying amount of the good less expected costs to recover the goods, and adjusts them against cost of sales correspondingly.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes. The Group also updates its measurement of the asset for the right to recover returned goods for changes in its expectations about returned goods.

The Group has elected to apply the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that would otherwise be recognised is one year or less.

**b) Rendering of services**

Management fee is recognised as earned when the service is rendered.

The obligation to provide the hospital services are obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group. The Group measures the satisfaction of the performance obligation based on the value transferred to the customer. The Group will apply the right to invoice practical expedient that allows the Group to recognize revenue as invoiced which is the amount that corresponds directly with the value to the customer of the entity's performance to date. The contracts with customers provide unspecified quantity of service that give rise to variable consideration. Under SFRS(I) 15, the variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.



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(continued)**

**2.26 Revenue recognition (continued)**

**c) Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

**d) Interest income**

Interest income is recognised using the effective interest rate method.

**2.27 Taxes**

**a) Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the profit and loss accounts except to the extent that the tax relates to items recognised outside the profit and loss accounts, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

**2.27 Taxes (continued)**

**c) Deferred tax (continued)**

Deferred tax assets are recognised for all deductible temporary differences carry-forward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward benefits of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or when the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.





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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES  
(continued)**

**2.27 Taxes (continued)**

**c) Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

**2.28 Share capital and share issue expenses**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

**2.29 Segment reporting**

For management purposes, the Group is organised on a world-wide basis into three major geographical segments. The divisions are the basis on which the Group reports its primary segment information.

Segment revenues, expenses and results include transfers between geographical segments and between business segments. Such transfers are accounted for on an arm's-length basis.

**2.30 Dividends**

Cash dividends are recorded in the year in which they are approved by the shareholders.

**2.31 Contingencies**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) A present obligation that arises from past events but is not recognised because:
  - i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - ii. the amount of obligation cannot be measured with sufficient reliability.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

**2.31 Contingencies (continued)**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised at the end of the reporting date of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

**2.32 Events after the reporting period**

Post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

**2.33 Fair value measurement**

Fair value is 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 measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**  
**(continued)**

**2.33 Fair value measurement (continued)**

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**2.34 Earnings per share**

Basic earnings per share are computed by dividing consolidated net income for the year attributable to the equity holders of the Company by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the consolidated net income for the year attributable to the equity holders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive potential common shares.

**3. SHARE CAPITAL**

	Group and Company	
	2018	2017
	\$'000	\$'000
<b>Authorised</b>		
- 1,000,000,000 ordinary shares of \$0.05 each	50,000	50,000
<b>Issued and paid up</b>		
As at 1 January and 31 December		
- 549,411,240 ordinary shares of \$0.05 each	27,471	27,471

The Company has only one class of shares: ordinary shares of \$0.05 each, with each share carrying one vote, without restriction. The ordinary shares have no par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and subsequently approved by the shareholders.

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**3. SHARE CAPITAL (continued)**

The Company has an employee share option plan under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group. More details are given in Note 21a.

In 2014, the Company shares were issued in consideration of the acquisition of the non-controlling interest of MTC. The excess of the consideration over the fair value of the net assets acquired was recorded in "Other reserves" under the equity section of the balance sheet.

**4. EMPLOYEE SHARE OPTION RESERVE**

The employee share option reserve represents the equity-settled share options granted to employees (Note 21a). The reserve is made up of cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share option, and is reduced by the equity or exercise of the share options.

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
As at 1 January	294	294	294	294
Equity-settled share options - value of employees' service	–	–	–	–
As at 31 December	<u>294</u>	<u>294</u>	<u>294</u>	<u>294</u>

**5. REVENUE AND OTHER RESERVES**

**a) Revenue reserves/(deficit)**

	Group	
	2018 \$'000	2017 \$'000
Revenue reserves are retained by:		
Company	(9,000)	(8,730)
Subsidiaries	38,585	37,401
	<u>29,585</u>	<u>28,671</u>



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**5. REVENUE AND OTHER RESERVES (CONTINUED)**

**b) Foreign currency translation reserves**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2018	2017
	\$'000	\$'000
At 1 January	587	485
Net effect of exchange differences arising from translation of financial statements of foreign operations	(675)	102
At 31 December	(88)	587

**c) Equity component of convertible bonds**

The equity component of convertible bonds is a capital reserve representing the conversion rights of convertible bonds. If the conversion is not exercised and lapses or the convertible bonds are repaid or returned, the equity component remains in equity. The convertible bonds have already been redeemed.

Equity component of convertible bonds of the Group and of the Company amounted to \$267,000 as at 31 December 2018 (2017: \$267,000).

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**6. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	Leasehold buildings and improvements \$'000	Machinery, equipment and others \$'000	Furniture, fixtures and equipment \$'000	Leasehold improvements \$'000	Transportation equipment \$'000	Total \$'000
<b>Cost:</b>						
As at 1 January 2017	22,925	36,596	2,914	4,097	1,371	67,903
Additions	48	643	68	192	1	952
Disposals	–	(1,000)	(1)	–	(55)	(1,056)
Translation adjustments	809	145	113	1	40	1,108
As at 31 December 2017 and 1 January 2018	23,782	36,384	3,094	4,290	1,357	68,907
Additions	73	1,471	70	–	1	1,615
Disposals	(56)	(1,216)	–	–	(200)	(1,472)
Reclassification	576	(576)	–	–	–	–
Translation adjustments	(55)	(135)	(48)	(2)	(19)	(259)
As at 31 December 2018	24,320	35,928	3,116	4,288	1,139	68,791
<b>Accumulated depreciation:</b>						
As at 1 January 2017	7,299	29,305	2,404	3,558	927	43,493
Depreciation charge for the year	773	1,347	70	272	44	2,506
Reclassification	147	(94)	(1)	(52)	–	–
Disposals	–	(986)	–	–	(55)	(1,041)
Translation adjustments	166	254	83	–	36	539
As at 31 December 2017 and 1 January 2018	8,385	29,826	2,556	3,778	952	45,497
Depreciation charge for the year	654	1,348	69	148	46	2,265
Disposals	(3)	(119)	–	–	(190)	(312)
Reclassification	291	(291)	–	–	–	–
Translation adjustments	(110)	(62)	(41)	–	(46)	(259)
As at 31 December 2018	9,217	30,702	2,584	3,926	762	47,191
<b>Net carrying amount:</b>						
As at 31 December 2017	15,397	6,558	538	512	405	23,410
As at 31 December 2018	15,102	5,227	532	362	377	21,600

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**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Company</b>	Leasehold buildings and improvements \$'000	Machinery, furniture, fixtures and equipment \$'000	Leasehold improvements \$'000	Transportation equipment \$'000	Total \$'000
<b>Cost:</b>					
As at 1 January 2017	209	3,423	10	73	3,715
Additions	18	10	—	—	28
As at 31 December 2017	227	3,433	10	73	3,743
Additions	2	5	—	—	7
Disposals	—	—	—	(23)	(23)
As at 31 December 2018	229	3,438	10	50	3,727
<b>Accumulated depreciation:</b>					
<b>depreciation:</b>					
As at 1 January 2017	186	3,415	4	51	3,656
Depreciation charge for the year	13	6	1	6	26
As at 31 December 2017 and 1 January 2018	199	3,421	5	57	3,682
Depreciation charge for the year	12	5	1	6	24
Disposals	—	—	—	(23)	(23)
As at 31 December 2018	211	3,426	6	40	3,683
<b>Net carrying amount:</b>					
As at 31 December 2017	28	12	5	16	61
As at 31 December 2018	18	12	4	10	44

As of 31 December 2018, there were property, plant and equipment that were mortgaged to secure various loans as mentioned in Note 18.

As of December 31, 2018, the Group continues to utilize fully depreciated property and equipment with an aggregate acquisition cost amounting to \$25.3 million and \$26.0 million as of December 31, 2018 and 2017, respectively.

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**7. INVESTMENT PROPERTIES**

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Cost:</b>				
As at 1 January and 31 December	7,705	7,705	2,253	2,253
<b>Accumulated depreciation:</b>				
As at 1 January	4,480	4,262	2,200	2,093
Disposals	–	–	–	–
Depreciation charge for the year	164	218	53	107
As at 31 December	4,644	4,480	2,253	2,200
Net carrying amount as at 31 December	3,061	3,225	–	53
<b>Profit and loss account:</b>				
Rental income (Note 29)	171	–	–	–
Direct operating expenses	(45)	–	–	–
	126	–	–	–

The Group and Company's investment properties include building and building improvements that are mainly held to earn rentals and capital appreciation. The Group and Company have no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. A valuation of the fair value of the investment properties was performed by an independent appraiser. Aggregate fair value of the investment properties was determined using the cost approach which considers the cost to reproduce or replace the property appraised with new assets. As of the latest valuation, fair market value of the investment properties, which is based on its highest and best use, amounted to \$4.9 million. The fair value is categorized under Level 2 (valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable) fair value hierarchy.



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**8. ASSETS HELD FOR LEASING**

	Group	
	2018 \$'000	2017 \$'000
<b>Cost:</b>		
As at 1 January	8,086	6,047
Additions	3,694	2,143
Disposals	(2,205)	(104)
As at 31 December	<u>9,575</u>	<u>8,086</u>
<b>Accumulated depreciation:</b>		
As at 1 January	2,938	862
Amortisation charge for the year	2,525	2,076
Disposals	(2,205)	–
As at 31 December	<u>3,258</u>	<u>2,938</u>
Net carrying amount as at 31 December	<u>6,317</u>	<u>5,148</u>

In 2018, fully amortised linens amounting to \$2.2 million (2017: nil) was derecognised.

**9. INVESTMENT IN SUBSIDIARIES**

(a) Investment in subsidiaries comprise:

	Company	
	2018 \$'000	2017 \$'000
Unquoted equity shares, at cost	24,899	23,658
Additions in investments	–	1,241
Dissolution of a subsidiary	–	–
Allowance for impairment on investment	(16)	(16)
	<u>24,883</u>	<u>24,883</u>

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**9. INVESTMENT IN SUBSIDIARIES (continued)**

(b) The Company had the following subsidiaries as at 31 December:

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Company		Cost of investment by the Company	
			2018	2017	2018	2017
			%	%	\$'000	\$'000
<b><u>Held by the Company</u></b>						
Universal Weavers Corporation (UWC)	Manufacturing and trading of woven and knitted fabrics	Philippines	100.0	100.0	5,863 <sup>(d)</sup>	5,863 <sup>(d)</sup>
Contex Corporation (CC)	Trading of hospital textiles and garments, pillow cases, bed sheets, gowns and apparel, and subleasing activities	Philippines	98.8 <sup>(a)</sup>	98.8 <sup>(a)</sup>	1,854	1,854
Medtecs (Taiwan) Corporation (MTC)	Manufacturing, leasing, marketing and distribution of medical consumables and provision of hospital laundry services	Republic of China	100.0 <sup>(b)</sup>	100.0 <sup>(b)</sup>	7,569 <sup>(d)</sup>	7,569 <sup>(d)</sup>
Medtex Corporation	Manufacturing and sale of elastic bandages, garters and other garment products	Philippines	100.0	100.0	474 <sup>(d)</sup>	474 <sup>(d)</sup>
Medtecs (Cambodia) Corporation Limited (MCCL)	Manufacturing of medical consumables and provision of procurement services	Cambodia	100.0	100.0	2,038 <sup>(d)</sup>	2,038 <sup>(d)</sup>
Medtecs (Asia Pacific) Pte. Ltd.	Sale of woven and knitted fabrics and other made-up articles of textile products	Singapore	100.0	100.0	1,241 <sup>(e)</sup>	1,241 <sup>(e)</sup>
Medtecs Materials Technology Corporation (MMTC)	Manufacturing, leasing and trading of woven and knitted fabrics, other made-up articles of textile, medical and healthcare related products, and provision of hospital laundry services	Philippines	100.0	100.0	2,021	2,021



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**9. INVESTMENT IN SUBSIDIARIES (continued)**

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Company		Cost of investment by the Company	
			2018	2017	2018	2017
			%	%	\$'000	\$'000
Medtecs (Far East) Limited	Sale of woven and knitted fabrics and other made-up articles of textile products	Hong Kong Special Administrative Region	100.0	100.0	1	1
Cooper Development Limited	Investment holding	Malaysia	100.0	100.0	3,822 <sup>(d)</sup>	3,822 <sup>(d)</sup>
<b><u>Held through subsidiaries</u></b>						
Hangzhou Jinchen Medical Supplies Manufacture Co., Ltd. (Jinchen)	Manufacturing and trading of woven and non-woven medical consumables	People's Republic of China	100.0	100.0	–	–
Zibo Lianheng Textiles Co., Ltd. (Lianheng)	Manufacturing and trading of woven fabrics	People's Republic of China	51.1 <sup>(c)</sup>	51.1 <sup>(c)</sup>	–	–
Zibo Liancheng Textiles & Garments Co. Ltd.	Manufacturing and trading of woven fabrics	People's Republic of China	100.0	100.0	–	–
Medtecs MSEZ Corp., Ltd. (MSEZ)	Manufacturing of woven and non-woven fabric	Cambodia	100.0 <sup>(f)</sup>	100.0 <sup>(f)</sup>	–	–
					24,883	24,883

<sup>(a)</sup> Certain shares are held by non-controlling interests which are equivalent to 1.2% of the total paid-up capital.

<sup>(b)</sup> Certain shares held by non-controlling interests which are equivalent to 7.6% of the total paid-up capital were acquired by the Company in 2014.

<sup>(c)</sup> Certain shares are held by non-controlling interests which are equivalent to 48.9% of the total paid up capital.

<sup>(d)</sup> Includes equity-settled share options granted to employees of the subsidiaries which were regarded as capital contribution to the subsidiaries.

<sup>(e)</sup> Includes allowance for impairment of \$16,000 as this subsidiary had been previously making losses.

<sup>(f)</sup> A wholly owned subsidiary of MTC incorporated on 29 June 2016.

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**10. GOODWILL**

	Group	
	2018	2017
	\$'000	\$'000
As at 1 January	709	709
Net exchange difference	-	-
As at 31 December	709	709

Goodwill acquired through business combinations has been allocated to the cash-generating units, which are also the reportable operating segments, for impairment testing as follows:

	2018	2017
	\$'000	\$'000
Manufacturing	198	198
Hospital services	511	511
	709	709

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The recoverable amounts of the cash-generating units are determined based on the value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections in 2018 for manufacturing segment is 14.35% (2017: 9.4%) and for the hospital services segment is 6.03% (2017: 5.8%) and the forecasted growth rates used to extrapolate cash flows beyond the five-year period in 2018 is 10% (2017: 5%) for manufacturing segment and 5% (2017: 5%) for hospital services which are based on management's reasonable estimates of the Group's manufacturing and hospital services operations given its existing business model and expansion of its distribution channel in China and Taiwan.

The following describes management's key assumptions on the cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins

Gross margins are based on a mix of historical margins and expected rates improvements based on management's growth strategies. These are increased over the budget period for anticipated efficiency improvements.

Growth rates

The forecasted growth rates are based on management's estimate of the long-term average growth relevant to the cash-generating unit.

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**10. GOODWILL (continued)**

Market share assumptions

Market share assumptions are important because management assesses how the cash-generating unit's position relative to its competitors might change over the budget period. Management expects the Group's market share to be stable over the budget period.

Pre-tax discount rates

Discount rates reflect management's estimate of the risks specific to each cash-generating unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each cash-generating unit, reference has been given to the specific circumstances of the cash-generating units and derived from their weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Risk specific to the cash-generating unit is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

With regards to the assessment of value in use of cash generating units to which the assets are allocated, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materiality exceed its recoverable amount.

**11. DUE FROM/(TO) SUBSIDIARIES (TRADE)**

The current balances of amounts due from/(to) subsidiaries are unsecured, non-interest bearing and are payable upon demand.

**12. OTHER NON-CURRENT ASSETS**

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Long-term prepaid rent	522	549	–	–
Deposits	5,121	5,312	3,028	3,246
Guarantee deposit (Note 18)	750	–	750	–
Others	351	196	22	21
	<u>6,744</u>	<u>6,057</u>	<u>3,800</u>	<u>3,267</u>

Guarantee deposit pertains to the non-current portion of fixed deposit in Taiwan Cooperative Bank which serves as collateral to the loan from the same bank amounting to \$5,000,000 (Note 18).

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**13. INVENTORIES**

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At cost:				
Raw materials	7,058	7,079	12	12
Work-in-progress	7,003	7,008	11	16
Supplies and spare parts	4,097	3,935	1	1
Goods-in-transit	349	336	–	–
At net realizable value:				
Finished goods	15,343	15,954	53	55
<b>Total inventories</b>	<b>33,850</b>	<b>34,312</b>	<b>77</b>	<b>84</b>

The Group recognised provision for inventory obsolescence in the profit and loss accounts in 2018 amounting to \$450,000 (2017: \$158,000). The Company recognised provision for inventory obsolescence in the profit and loss accounts in 2018 amounting to nil (2017: nil).

Allowance for inventory obsolescence of the Group for the year ended 31 December 2018 is \$2.1 million (2017: \$1.6 million). Allowance for inventory obsolescence of the Company for the year ended 31 December 2018 is nil (2017: nil).

The Group's inventories charged to operations in 2018 were \$28.2 million (2017: \$23.9 million) (Note 24).

Under the terms of the agreements covering liabilities under trust receipts, certain merchandise have been released to the subsidiaries, in trust for the banks. The subsidiaries are accountable to the banks for the trusted merchandise or its sales proceeds in 2018 amounting to nil (2017: \$0.6 million) (Note 18).

**14. TRADE RECEIVABLES**

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade receivables				
Manufacturing	11,608	11,786	7,034	8,393
Hospital services	2,021	1,943	–	–
Trading	1,323	1,701	–	–
Less: Allowance for impairment	(225)	(127)	–	–
	<b>14,727</b>	<b>15,303</b>	<b>7,034</b>	<b>8,393</b>

Trade receivables are non-interest bearing and are generally on 30 to 90 days' term. They are recognised at their original invoice amounts, which represent fair values on initial recognition.

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**14. TRADE RECEIVABLES (continued)**

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group	
	2018 \$'000	2017 \$'000
Philippine peso	869	672
Renminbi	192	247
New Taiwan dollar	3,021	3,392
Singapore dollar	411	590

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$0.9 million (2017: \$1.4 million) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at end of the reporting period is as follows:

	Group	
	2018 \$'000	2017 \$'000
Less than 30 days	143	704
30 to 60 days	778	672
Total	921	1,376

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period are as follows:

	Group			
	<i>Collectively impaired</i>		<i>Individually impaired</i>	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade receivables - nominal amounts:				
Manufacturing	26	26	747	520
Hospital services	1,732	1,717	-	-
Trading	1,321	1,701	-	-
Less: Allowance for impairment	(58)	(52)	(167)	(75)
	3,021	3,392	580	445

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**14. TRADE RECEIVABLES (continued)**

*Receivables that are neither past due nor impaired*

As at 31 December 2018, trade receivables amounting to \$10.2 million (2017: \$10.2 million) are neither past due nor impaired. These receivables are considered to be of good quality since they are collectible without incurring any credit losses.

*Expected credit losses*

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follows:

	2018 \$'000	2017 \$'000
As at 1 January	127	125
Charge for the year	100	2
Written off	–	–
Exchange differences	(2)	–
As at 31 December	225	127





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**15. OTHER CURRENT ASSETS**

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Advances to suppliers	11,531	12,846	10,761	10,940
Prepayments	148	173	105	32
Advances to employees	12	9	6	9
Input taxes	329	335	–	–
Deposits	3,687	2,389	4,229	4,075
Sundry receivables	1,381	1,223	376	544
	<u>17,088</u>	<u>16,975</u>	<u>15,477</u>	<u>15,600</u>

Deposits include payment to suppliers for future deliveries of inventories that are to be liquidated within a year.

Sundry receivables include rent receivables and claims from third parties.

Other current assets denominated in foreign currencies at 31 December are as follows:

	Group	
	2018 \$'000	2017 \$'000
Renminbi	461	474
Philippine peso	648	650
New Taiwan dollar	910	205
Singapore Dollar	–	11

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**16. CASH AND BANK BALANCES AND FIXED DEPOSITS**

Fixed deposits of the Group and of the Company, amounting to \$4.3 million (2017: \$2.7 million) and \$250,000 (2017: nil) respectively, are pledged in connection with credit facilities granted by banks. In addition, the withdrawal of such fixed deposits is subject to the banks' approval in connection with overdraft facilities. The fixed deposits are denominated in US\$ and earn annual interest of 0.9% (2017: 0.5%).

Cash and bank balances and fixed deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
New Taiwan dollar	7,070	3,714	–	–
Philippine peso	340	156	23	9
Renminbi	176	31	–	–
Singapore dollar	31	13	16	9
Riel	27	2	–	–

**17. TRADE PAYABLES AND OTHER CURRENT LIABILITIES**

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade payables	2,892	3,564	75	65
Other creditors	1,340	1,769	420	488
Accrued operating expenses	2,522	2,708	191	191
Amounts due to directors (Note 28)	47	74	44	74
	<b>6,801</b>	<b>8,115</b>	<b>730</b>	<b>818</b>

Amounts due to directors are non-trade related, unsecured, non-interest bearing and are payable on demand.

Trade payables and other current liabilities denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
New Taiwan dollar	845	2,583	–	–
Renminbi	66	10	–	–
Philippine peso	1,309	1,731	269	859



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**18. LOANS AND BORROWINGS**

	Weighted average effective interest rate (p.a.)	Maturity	Group		Company	
			2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Current:</b>						
Trust receipts and acceptances payable (secured) (Note 13)	0%	2018	–	597	–	–
Bank loans:						
- US\$ loans						
Secured (Note 6)	3.41%	2019	2,340	3,300	–	–
Unsecured	3.84%	2019	11,756	11,560	–	–
- Renminbi (RMB) loans						
Secured (Note 6)	6.71%	2019	2,017	2,301	–	–
- New Taiwan Dollar (NTD) loans						
Unsecured	3.32%	2019	16,603	15,648	–	–
Total short-term bank loans			32,716	32,809	–	–
Term loans (current portion)			2,185	1,039	1,250	–
	Weighted average effective interest rate (p.a.)	Maturity	Group		Company	
			2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Non-current:</b>						
Term loans:						
- Long-term loan (secured) (Note 6)	4.57%	2018-2021	5,000	600	5,000	–
- Long-term loan (secured) (Note 6)	8.5%	2018-2022	487	–	–	–
- NTD term loans						
Unsecured	4.59%	2018-2019	2,611	2,073	–	–
Total long-term bank loans			8,098	2,673	5,000	–
Due within one year			(2,185)	(1,039)	(1,250)	–
Due after one year			5,913	1,634	3,750	–
Total loans and borrowings			40,814	36,079	5,000	–

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**18. LOANS AND BORROWINGS (continued)**

The above borrowings are classified as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Secured	9,844	6,798	5,000	–
Unsecured	30,970	29,281	–	–
	40,814	36,079	5,000	–

Property, plant and equipment, inventories and fixed deposits with a carrying amount of \$6.6 million (2017: \$7.0 million) (Notes 6, 13 and 16) are used to secure the loans of the Group and Company amounting to \$9.8 million (2017: \$6.8 million) and \$5 million (2017: nil), respectively.

Trust receipts and acceptances payable

The trust receipts and acceptances payable are at fixed and floating rates, secured by a pledge of certain merchandise (Note 13), which is kept in trust for the bank and are payable at various dates in the succeeding year (Note 31).

Long-term loans

The term loans from Cathay United Bank are payable in monthly installment with effective rate of 8.5% and are secured by buildings and leasehold amounting to \$3.2 million. Term loans from Taiwan Cooperative Bank are payable in quarterly installment starting 2019 with effective rate of 2.25% plus LIBOR rate per annum. This is guaranteed by a fixed deposit amounting to 20% of the loan (Note 12 and 16).

A reconciliation of liabilities arising from financing activities is as follows:

	December 31, 2017 \$'000	Net cash flows \$'000	Non-cash changes		December 31, 2018 \$'000
			Other \$'000		
Term loans					
- current	1,039	(488)	1,634		2,185
- noncurrent	1,634	5,913	(1,634)		5,913
Bank loans	32,809	(93)	–		32,716
<b>Total</b>	<b>35,482</b>	<b>5,332</b>	<b>–</b>		<b>40,814</b>

	December 31, 2016 \$'000	Net cash flows \$'000	Non-cash changes		December 31, 2017 \$'000
			Other \$'000		
Term loans					
- current	1,175	(243)	107		1,039
- noncurrent	107	1,634	(107)		1,634
Bank loans	29,575	3,234	–		32,809
<b>Total</b>	<b>30,857</b>	<b>4,625</b>	<b>–</b>		<b>35,482</b>

The 'other' column relates to reclassification of non-current portion of loans and borrowings due to passage of time.



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**19. REVENUE**

**Disaggregation of revenue**

Group	Manufacturing		Hospital Services		Distribution and Others	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Primary geographical markets</b>						
United States of America (USA)	7,825	6,075	–	–	–	–
Asia Pacific	12,373	9,974	13,965	13,356	2,130	2,586
Europe	32,007	29,835	–	–	–	–
Canada	4	–	–	–	–	–
	<b>52,209</b>	<b>45,884</b>	<b>13,965</b>	<b>13,356</b>	<b>2,130</b>	<b>2,586</b>
<b>Revenue from contracts</b>						
Revenue from OPM	52,209	45,884	–	–	–	–
Revenue from hospital services	–	–	13,965	13,356	–	–
Revenue from distribution	–	–	–	–	1,959	2,586
	<b>52,209</b>	<b>45,884</b>	<b>13,965</b>	<b>13,356</b>	<b>1,959</b>	<b>2,586</b>
<b>Timing of transfer of goods or services</b>						
At a point in time	52,209	45,884	–	–	1,959	2,586
Over time	–	–	13,965	13,356	171	–
	<b>52,209</b>	<b>45,884</b>	<b>13,965</b>	<b>13,356</b>	<b>2,130</b>	<b>2,586</b>

In addition to the above revenue, Contex Corporation earned rental revenue for the financial year ended 31 December 2018 amounting to \$171,098 (2017: nil) (Note 29).

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**20. OTHER INCOME - NET**

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Foreign exchange gain (loss)	240	(160)	11	24
Gain (loss) on disposals	29	(15)	6	–
Others	180	417	109	719
	<u>449</u>	<u>242</u>	<u>126</u>	<u>743</u>

Others include miscellaneous income and other operating income.

**21. EMPLOYEE BENEFITS**

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Personnel expenses</b>				
Wages and salaries	24,657	17,637	1,079	1,079
Pension expense	82	84	23	23
	<u>24,739</u>	<u>17,721</u>	<u>1,102</u>	<u>1,102</u>

**a) Employee share option plans**

i) Non-executive director option plans

Share options are granted to non-executive directors of the Group. The exercise price of the option is equal to the market price of the shares at the date of grant. The exercise period of the options with exercise price at market price commences on the first anniversary of the grant, while the exercise period for options with exercise price at a discount to the market price commences on the second anniversary of the date of the grant. Options granted to non-executive directors expire on the fifth anniversary of the date of grant. There are no cash settlement alternatives.

ii) General employees share option scheme

The Company has a share options scheme for the granting of non-transferable options to confirmed full-time employees as well as executive directors of the Company (other than Clement Yang Ker-Cheng) who are not controlling shareholders and their associates. The exercise period of the options with exercise price at market price commences on the first anniversary of the date of the grant while the exercise period for options with exercise price at a discount to the market price commences on the second anniversary of the date of the grant. Options granted to executive directors and employees expire on the tenth anniversary of the date of grant.

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**21. EMPLOYEE BENEFITS (continued)**

ii) General employees share option scheme (continued)

No employee has received 5.0% or more of the total options available under the Medtecs Share Option Scheme (“the Scheme”).

Movement of share options during the financial year

Information with respect to the number of options granted under the Scheme is as follows:

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	2018 '000	2018 S\$	2017 '000	2017 S\$
Outstanding at 1 January and 31 December	2,030	0.09	2,030	0.09

There are no options granted in 2018 and 2017.

The exercise price for options outstanding at the end of the year was S\$0.094 (2017: S\$0.094), the weighted average remaining contractual life of these options is 1.4 years (2017: 2.4 years).

Fair value of share options granted

The fair value of equity-settled share options granted is estimated as of the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used are shown below:

	2010	Prior to 2010
Dividend yield (%)	–	4.0
Expected volatility (%)	29.4	40.0
Historical volatility (%)	29.4	40.0
Risk-free interest rate (%)	2.3	4.0
Expected life of option (years)	4.3	4.8
Weighted average share price (S\$)	0.1	0.1

The expected life of the share option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not be necessarily the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

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**21. EMPLOYEE BENEFITS (continued)**

**b) Pension plan**

This relates to the amount of pension benefit expense provided for the subsidiaries and the branch in the Group operating in the Philippines covering substantially all its regular employees. Retirement benefits under the plan are based on a percentage of latest monthly salary and years of credited service. The directors review the pension benefits expense with sufficient regularity such that the amount recorded does not differ materially from the amount to be recorded in compliance with SFRS(I) 19 at the end of the year.

Under the existing regulatory framework, Republic Act 7641 of the Philippines, Retirement Pay Law, a provision for retirement pay is required to qualified private sector employees in the absence of any retirement plan in the entity, provided however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The latest independent actuarial valuation of the plan was as of December 31, 2018, prepared by an independent actuary, and is determined using the projected unit credit actuarial cost method in accordance with SFRS(I) 19.

The components of the pension benefit expense recognised in the profit and loss accounts are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current service cost	43	48	13	14
Interest cost	39	36	10	9
Net benefit expense	82	84	23	23

The amount recognised in the balance sheet arising from the Group's and the Company's unfunded obligation in respect of its defined benefit plan in 2018 were \$585,000 (2017: \$721,000) and \$133,000 (2017: \$183,000), respectively. The management of the Group is still contemplating on a scheme to fund the pension plan.





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**21. EMPLOYEE BENEFITS (continued)**

**b) Pension plan (continued)**

Changes in the present value of the unfunded defined benefit obligations are as follows:

	Unfunded pension plan			
	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
As at 1 January	721	727	183	175
Current service cost	43	48	13	14
Interest cost	39	36	10	9
Benefits paid	(7)	–	–	(1)
Translation adjustment	(36)	(3)	(10)	–
Net remeasurement (gain)	(175)	(87)	(63)	(14)
As at 31 December	585	721	133	183

The principal actuarial assumptions as at 31 December used to determine pension benefits are as follows:

	Group		Company	
	2018	2017	2018	2017
Discount rate	7.30% - 7.37%	5.62% - 5.63%	7.36%	5.63%
Salary increase rate	5.0%	5.0%	5.0%	5.0%

The history of experience adjustments are as follows:

	Group				
	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Unfunded defined benefit obligation	585	721	727	729	786
Change in assumption adjustments on plan liabilities	(150)	(61)	(3)	(53)	(42)
Experience adjustments on plan liabilities	(25)	(26)	(40)	(68)	(45)
Change in demographic assumption	–	–	–	8	–

	Company				
	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Unfunded defined benefit obligation	133	183	175	157	181
Change in assumption adjustments on plan liabilities	(33)	(11)	–	(14)	(7)
Experience adjustments on plan liabilities	(30)	(3)	6	(28)	(7)
Change in demographic assumption	–	–	–	1	–

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**21. EMPLOYEE BENEFITS (continued)**

**b) Pension plan (continued)**

A quantitative sensitivity analysis for significant assumption as at 31 December 2018 is as shown below:

Assumptions	Sensitivity Level	Impact on defined benefit obligation
		Increase (Decrease)
Discount rates	+0.5%	(36)
	-0.5%	40
Future salary increases	+2%	177
	-2%	(130)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to the defined benefit plan obligation in future years as at 31 December 2018:

	\$'000
Within the next 12 months (next annual reporting period)	57
More than 1 year to 5 years	84
More than 5 years to 10 years	211
More than 10 years to 15 years	886
More than 15 years to 20 years	2,335
More than 20 years	5,113
	<u>8,686</u>

The average duration of the defined benefit plan obligation at the end of the reporting period is 19.75 years.

The Labor Pension Act (the "Act") in Taiwan, which provides for a new defined contribution plan, took effect on 1 July 2005. Employees already covered by the Labor Standard Law (the "Law") can choose to remain to be subject to the pension mechanism under the Law or to be subject to the Act. Under the Act, the rate of the employer monthly contribution to the pension fund should be at least 6% of the employee's monthly wages.

As at 31 December 2018, the Group has pension benefit expense under defined contribution plan amounting to US\$82,000 (2017: US\$84,000).



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**22. FINANCIAL INCOME**

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Interest income from:				
- fixed deposits and advances to third parties	111	13	1	1

**23. FINANCIAL EXPENSES**

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Interest expense on loans to third parties	1,797	1,443	809	597
Other finance costs	201	324	3	3
Total financial expenses	1,998	1,767	812	600

Other finance costs include bank charges for loans, trust receipts, transfers of funds, payments and collections, and other related costs.

**24. PROFIT/(LOSS) BEFORE TAX**

The following items have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Inventories recognised as an expense in cost of sales (Note 13)	28,245	23,867	10,612	8,966
Personnel expenses (Note 21)	24,739	17,721	1,102	1,102
Depreciation and amortization (Notes 6 and 7)	2,429	2,724	77	133
Financial expenses (Note 23)	1,998	1,767	812	600
Amortisation of assets held for leasing (Note 8)	2,525	2,076	—	—
Operating lease expenses (Note 29)	806	669	58	25
Auditor remuneration:				
- auditor of the Company, audit services	140	145	41	41
Financial income (Note 22)	(111)	(13)	(1)	(1)
Other income - net (Note 20)	(449)	(242)	(126)	(743)

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**25. TAXATION**

**a) Major components of income tax expense**

The major components of income tax expense for the years ended 31 December are:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current	270	149	–	1
Deferred income tax:				
Origination and reversal of temporary differences	2	(67)	2	(2)
Income tax expense recognised in the profit and loss accounts	272	82	2	(1)

**b) Relationship between tax expense and accounting profit**

The reconciliation between the tax expense/(benefit) and the product of accounting profit/(loss) multiplied by the applicable corporate tax rates for the years ended 31 December 2018 and 2017 are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Profit/(loss) before tax	1,186	955	(268)	1,544
Tax on relevant profits/(losses) at the domestic statutory rates applicable in the countries concerned	13	(176)	(14)	2
Adjustments:				
Non-deductible expenses	68	39	20	(14)
Movement of unrecognized deferred tax assets	178	233	(12)	20
Translation adjustment	3	(51)	1	(9)
Others	10	37	7	–
Income tax expense recognised in profit and loss accounts	272	82	2	(1)

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**25. TAXATION (continued)**

**c) Deferred tax assets and liabilities**

Deferred tax assets for the Group and the Company as at 31 December relate to the following:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Accruals	8	7	8	7
Translation adjustments	(1)	(1)	(1)	(1)
Unrealised loss/(gain) on exchange differences	–	3	–	3
Rent levelization	6	6	6	6
	<u>13</u>	<u>15</u>	<u>13</u>	<u>15</u>

As at 31 December 2018, the Group's and the Company's deferred tax liabilities, which arise from levelisation of lease and exchange differences, amounted to \$202,000 (2017: \$202,000) and nil (2017: nil), respectively.

As at 31 December 2018 and 2017, no deferred tax assets were recognised for the temporary differences arising from a subsidiary's tax losses amounting to \$4.4 million (2017: \$5.1 million) as it is not probable that sufficient taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

As at 31 December 2018 and 2017, there were nil taxes that would be payable on the unremitted earnings of certain subsidiaries as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The potential income tax consequences are not practicably determinable.

**d) Other matters**

The Company is an exempted company incorporated in Bermuda and as such, the income and capital gains of the Company are not subjected to tax in Bermuda.

Certain subsidiaries and the branch of the Group operating in the Philippines were previously registered as economic zone enterprises enjoying incentives such as a 5% special tax rate on gross margin earned after the tax holiday in lieu of all Philippine national and local taxes, and tax and duty-free importation of raw materials, capital equipment, household and personal items for use solely within the economic zone area. In 2010, the economic zone was converted into a freeport zone by virtue of the Republic Act (RA) No. 9728. Under the new law, existing enterprises within the ecozone are eligible to register as freeport enterprises with option to avail of existing incentives under RA No. 7916. The subsidiaries and the branch registered with the freeport zone and availed of the existing incentives.

Based on the amendments to the Income Tax Act (ITA) announced on 7 February 2018, the Medtecs Taiwan Corporation's applicable corporate income tax rate for the year ended 31 December 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%. Aside from the said amendment, an alternative minimum tax is also imposed under ITA, a supplemental tax levied at a rate of 20% which is payable if the income tax payable determined pursuant to the Income Tax Law is higher than the minimum amount prescribed under the ITA.

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**25. TAXATION (continued)**

In Cambodia, the tax on profit ("ToP") is the higher of 20% of taxable income or a minimum tax of 1% of total revenue.

There are no income tax consequences attaching to payment of dividends by the Company to its shareholders.

**26. EARNINGS PER SHARE (EPS)**

The following tables reflect the profit and loss accounts and share data used in the computation of basic and diluted EPS for the years ended 31 December:

	Group	
	2018	2017
	\$'000	\$'000
Net profit attributable to ordinary equity holders of the Company used in the computation of basic and diluted EPS	914	883
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares applicable to		
- Basic earnings per share	549,411	549,411
- Effect of dilution of share options	-	-
Weighted average number of ordinary shares for diluted EPS	549,411	549,411

Earnings per share computation

The basic EPS amounts are calculated by dividing the Group's net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

In 2018 and 2017, there was no adjustment since the effects of the share options are anti-dilutive for the financial period presented.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

**27. DIVIDENDS**

The Company has not declared nor paid cash dividends during the year and the previous financial year.

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**28. SIGNIFICANT RELATED PARTY TRANSACTIONS**

**a) Transactions with related parties**

In addition to the related parties information disclosed elsewhere in the financial statements, the following are the significant transactions between the Group and related parties that took place at terms agreed between the parties during the financial year:

	Company	
	2018 \$'000	2017 \$'000
<b>Income:</b>		
Sales to subsidiaries	13,425	12,608
<b>Costs and expenses:</b>		
Purchases from subsidiaries	10,636	8,962

The Group has provided a corporate guarantee to various banks for a \$9.8 million loan (2017: \$5.3 million) (Note 18) taken by subsidiaries.

**b) Compensation of key management personnel**

	Group	
	2018 \$'000	2017 \$'000
Directors and executives' remuneration	183	147
Comprise amounts paid to:		
- directors of the Company	131	74
- directors of the Subsidiary	6	-

The remuneration of key management personnel are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

At the end of the reporting period, nil (2017: nil) options were granted to directors and executives of the Company. During the year, nil (2017: nil) options granted to directors were lapsed.

Amounts due to directors, which amounted to \$47,000 (2017: \$74,000), are non-interest bearing and are payable on demand (Note 17).

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**29. COMMITMENTS AND CONTINGENT LIABILITIES**

**a) Operating lease commitments - as lessor**

The Group leases its linens under its hospital services. The lease term for each hospital service contract is between one to five years renewable by agreement of the parties. The rate per hospital is based on their consumption and the future minimum lease is not practically determinable.

As at 31 December 2018, the Group entered into operating lease agreement in respect of a building and its improvements. Operating lease income recognised in the profit and loss accounts of the Group for the financial year ended 31 December 2018 is \$171,098 (2017: nil). Security deposit to be refunded and/or to be applied to unpaid rent of the lessee upon termination of the lease as at 31 December 2018 amounted to \$46,209 (2017: nil). The excess of the principal amount of the security deposit over its fair value, at the inception date of the operating lease, is presented as 'Deferred lease income'. Current and noncurrent portion of the deferred lease income as at 31 December 2018 amounted to \$43,686 and \$6,241, respectively.

Future minimum rental receivable under the operating lease at the end of the reporting period are as follows:

	Group	
	2018 \$'000	2017 \$'000
Not later than one year	608	–
Later than one year but not later than five years	2,430	–
Later than five years	2,886	–
	5,924	–

**b) Operating lease commitments - as lessee**

As at 31 December 2018, the Group and the Company have entered into operating lease agreements in respect of office and factory premises. The lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or further leasing. Operating lease expense recognised in the profit and loss accounts of the Group and the Company for the financial year ended 31 December 2018 amounted to \$806,000 (2017: \$669,000) and \$58,000 (2017: \$25,000), respectively.

Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Not later than one year	624	784	16	17
Later than one year but not later than five years	665	1,839	74	100
Later than five years	4,264	4,316	751	803
	5,553	6,939	841	920





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**29. COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

**c) Contingent liabilities**

Contingencies

In the ordinary course of business, certain subsidiaries in the Group are exposed to litigations and claims with respect to matters such as labour and tax disputes/assessments. The Group has made provisions, where applicable, based on management estimates on the extent of the probable costs arising out of these contingencies. The estimate of the probable costs for the resolution of these claims/assessments has been developed by management in consultation with internal and external counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Although there can be no assurances, management believes, based on information currently available and professional legal advice, that the ultimate resolution of these legal proceedings/assessments would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these litigations and claims.

Guarantees

The Company has provided a corporate guarantee to various banks for a \$9.8 million (2017: \$5.3 million) loan (Note 18) taken by a subsidiary.

**30. GROUP SEGMENTAL REPORTING**

**Reporting format**

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

**Business segments**

The *manufacturing segment* produces and sub-contracts a wide range of medical consumables, including patients' apparels, disposable surgical masks, boot covers and surgical gowns, underpads, adult diapers, crochet blankets, bed linens and medical bandages. These medical consumables are supplied to large medical multinational corporation distributors, pharmaceutical companies and hospital groups in the United States of America (USA) and Europe.

The *hospital services segment* provides laundry and leasing services to various hospitals that are outsourcing its non-critical functions.

The *distribution segment* is involved in the marketing of Medtecs-branded medical consumables to hospitals, pharmacies and other end users in Asia Pacific. The Group also leverages on its distribution network to market other branded medical supplies and equipment such as wheel chairs, syringes, nebulizers and blood pressure monitors.

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**30. GROUP SEGMENTAL REPORTING (continued)**

**Geographical segments**

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

**Allocation basis and transfer pricing**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities, loans and borrowings and related expenses.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated upon consolidation.

**(a) Business segments**

The following table presents revenue, results and other information, assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2018 and 2017.

<b>2018</b>	Manufacturing \$'000	Hospital services \$'000	Distribution and others \$'000	Group \$'000
Revenue	52,209	13,965	2,130	68,304
Results	2,563	376	134	3,073
Financial expenses				(1,998)
Financial income				111
Income tax expense				(272)
Net profit for the year				914
Total assets	94,429	14,074	4,387	112,890
Total liabilities	48,580	845	117	49,542
<i>Other segment information:</i>				
Capital expenditure	2,109	–	–	2,109
Depreciation and amortization	2,429	2,525	–	4,954
Provision for inventory obsolescence	450	–	–	450
Provision for impairment	–	–	150	150
Other non-cash expenses - net	1,887	23	–	1,910



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**30. GROUP SEGMENTAL REPORTING (continued)**

<b>2017</b>	<b>Manufacturing \$'000</b>	<b>Hospital services \$'000</b>	<b>Distribution and others \$'000</b>	<b>Group \$'000</b>
Revenue	45,884	13,356	2,586	61,826
Results	3,819	878	(1,988)	2,709
Financial expenses				(1,767)
Financial income				13
Income tax expense				(82)
Net profit for the year				873
Total assets	91,575	13,064	4,900	109,539
Total liabilities	43,711	2,854	51	46,616
<i>Other segment information:</i>				
Capital expenditure	1,028	–	–	1,028
Depreciation and amortization	2,506	2,076	218	4,800
Provision for inventory obsolescence	158	–	–	158
Other non-cash expenses - net	1,754	–	–	1,754

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**30. GROUP SEGMENTAL REPORTING (continued)**

**(b) Geographical segments**

The following table presents revenue, capital expenditure and certain assets information regarding the Group's geographical segments as at and for the years ended 31 December 2018 and 2017.

<b>2018</b>	USA \$'000	Asia Pacific \$'000	Europe \$'000	Canada \$'000	Group \$'000
Revenue	7,825	28,468	32,007	4	68,304
Results	352	1,281	1,440	–	3,073
Financial expenses					(1,998)
Financial income					111
Income tax expense					(272)
Net profit for the year					914
Total assets	785	110,245	1,860	–	112,890
Total liabilities	–	49,542	–	–	49,542
<i>Other segment information:</i>					
Capital expenditures	–	2,109	–	–	2,109
Depreciation and amortization	–	4,954	–	–	4,954
Provision for impairment	–	150	–	–	150
Provision for inventory obsolescence	–	450	–	–	450
Other non-cash expenses - net	–	1,910	–	–	1,910



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**30. GROUP SEGMENTAL REPORTING (continued)**

**(b) Geographical segments (continued)**

2017	USA \$'000	Asia Pacific \$'000	Europe \$'000	Group \$'000
Revenue	6,076	25,915	29,835	61,826
Results	266	1,136	1,307	2,709
Financial expenses				(1,767)
Financial income				13
Income tax expense				(82)
Net profit for the year				873
Total assets	543	107,462	1,534	109,539
Total liabilities	–	46,616	–	46,616
<i>Other segment information:</i>				
Capital expenditures	–	1,028	–	1,028
Depreciation and amortization	–	4,800	–	4,800
Provision for inventory obsolescence	–	158	–	158
Other non-cash expenses - net	–	1,754	–	1,754

**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments are cash and bank balances, fixed deposits, bank loans and term loans. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as, trade receivables, trade payables, trust receipts and acceptances payable, due from an affiliated company and corporate shareholder, other current assets and other current liabilities, which arise directly from its operations.

It is, and has been throughout the current and previous year, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risks (both fair value and cash flow), liquidity risk, foreign currency risk and credit risk. The directors review and agree policies and procedures for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivative financial instruments are set out in Note 2.14.

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**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**a) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in the market interest rates.

The Group's exposure to interest rate risk arises primarily from loans and borrowings. The Group's policy is to obtain the most favorable interest rates available using a mix of fixed and variable rate debts without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's loans and borrowings (Note 18).

As at 31 December 2018, approximately 13% (2017: 16%) of the Group's borrowings are at fixed rate of interest.

The following tables set out the carrying amounts, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

<b>2018 Group</b>	<b>Within 1 Year \$'000</b>	<b>1-2 years \$'000</b>	<b>2-3 years \$'000</b>	<b>3-4 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Total \$'000</b>
<b><i>Fixed rate</i></b>						
Fixed deposits	4,260	–	–	–	–	4,260
Advances to suppliers	3,059	–	–	–	–	3,059
Bank loans	(5,128)	(150)	(150)	(38)	–	(5,466)
<b><i>Floating rate</i></b>						
Cash and bank balances	4,521	–	–	–	–	4,521
Bank loans	(31,598)	(2,500)	(1,250)	–	–	(35,348)



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**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**a) Interest rate risk (continued)**

<b>2018</b>	Within 1	1-2	2-3	3-4	Over 5	
<b>Company</b>	Year	years	years	years	years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Fixed rate</b>						
Fixed deposits	250	–	–	–	–	250
<b>Floating rate</b>						
Cash and bank balances	46	–	–	–	–	46
Bank loans	(1,250)	(2,500)	(1,250)	–	–	(5,000)
<b>2017</b>						
<b>Group</b>	Within 1	1-2	2-3	3-4	Over 5	Total
	Year	years	years	years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Fixed rate</b>						
Fixed deposits	2,654	–	–	–	–	2,654
Bank loans	(5,372)	(150)	(150)	(150)	(38)	(5,860)
<b>Floating rate</b>						
Cash and bank balances	1,731	–	–	–	–	1,731
Trust receipts and acceptances payable	(597)	–	–	–	–	(597)
Bank loans	(28,476)	–	(1,146)	–	–	(29,622)
<b>2017</b>						
<b>Company</b>	Within 1	1-2	2-3	3-4	Over 5	Total
	Year	Years	years	years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Floating rate</b>						
Cash and bank balances	29	–	–	–	–	29

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**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**a) Interest rate risk (continued)**

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity to a reasonably possible change in interest rates based on management's assessment, with all other variables held constant, of the Group's profit before tax and of the Company's loss before tax (through the impact of interest expense on floating rate loans and borrowings) and the Group's and Company's equity.

	Group		Company	
	Increase/ (decrease) in basis points	Effect on profit before tax \$'000	Increase/ (decrease) in basis points	Effect on loss before tax \$'000
<b>2018</b>				
US\$	29	(15)	29	(3)
RMB	29	(3)	–	–
NTD	29	(22)	–	–
US\$	(29)	15	(29)	3
RMB	(29)	3	–	–
NTD	(29)	22	–	–
<b>2017</b>				
US\$	12	(12)	–	–
RMB	12	(3)	–	–
NTD	12	(19)	–	–
US\$	(12)	12	–	–
RMB	(12)	3	–	–
NTD	(12)	19	–	–

There is no other impact on the Group's and the Company's equity other than those already affecting income.



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**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**
**b) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of financial assets and liabilities.

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and debentures. Additional short-term funding is obtained from short-term bank loans. As at 31 December 2018, approximately 95.5% (2017: 95.1%) of the Group's debt will mature in less than one year.

The table summarises the maturity profile of the Group's and Company's financial assets and financial liabilities at the end of the reporting period based on contractual repayment obligations:

2018 Group	Total carrying value	Total	On demand	< 1 year	1 - 5 years	> 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Undiscounted financial assets:</b>						
Cash	4,521	4,521	4,521	–	–	–
Fixed deposits	4,260	4,260	–	4,260	–	–
Trade receivables - net	14,727	14,727	1,667	13,060	–	–
Other current assets	1,263	1,263	–	1,263	–	–
<b>Total undiscounted financial assets</b>	<b>24,771</b>	<b>24,771</b>	<b>6,188</b>	<b>18,583</b>	<b>–</b>	<b>–</b>
<b>Undiscounted financial liabilities:</b>						
Bank loans	32,716	33,871	–	33,871	–	–
Trade payables and other current liabilities	5,936	5,936	5,936	–	–	–
Trust receipts and acceptances payable	–	–	–	–	–	–
Term loans	8,098	8,384	2,262	2,744	3,378	–
<b>Total undiscounted financial liabilities</b>	<b>46,750</b>	<b>48,191</b>	<b>8,198</b>	<b>36,615</b>	<b>3,378</b>	<b>–</b>
<b>Total net undiscounted financial (liabilities)/assets</b>	<b>(21,979)</b>	<b>(23,420)</b>	<b>(2,010)</b>	<b>(18,032)</b>	<b>(3,378)</b>	<b>–</b>

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**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**b) Liquidity risk (continued)**

<b>2018 Company</b>	Total carrying value \$'000	Total \$'000	On demand \$'000	< 1 year \$'000	1 - 5 years \$'000	> 5 years \$'000
<b>Undiscounted financial assets:</b>						
Cash	46	46	46	–	–	–
Fixed deposits	250	250	–	250	–	–
Trade receivables	7,034	7,034	744	6,290	–	–
Other current assets	376	376	–	376	–	–
Due from subsidiaries (trade)	34,676	34,676	34,676	–	–	–
<b>Total undiscounted financial assets</b>	<b>42,382</b>	<b>42,382</b>	<b>35,466</b>	<b>6,916</b>	<b>–</b>	<b>–</b>
<b>Undiscounted financial liabilities:</b>						
Trade payables and other current liabilities	718	718	718	–	–	–
Term loans	5,236	5,236	–	1,309	3,927	–
Due to subsidiaries (trade)	56,588	56,588	56,588	–	–	–
<b>Total undiscounted financial liabilities</b>	<b>62,542</b>	<b>62,542</b>	<b>57,306</b>	<b>1,309</b>	<b>3,927</b>	<b>–</b>
<b>Total net undiscounted financial liabilities</b>	<b>(20,160)</b>	<b>(20,160)</b>	<b>(21,840)</b>	<b>5,607</b>	<b>(3,927)</b>	<b>–</b>



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**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**b) Liquidity risk (continued)**

2017 Group	Total carrying value	Total	On demand	< 1 year	1 - 5 years	> 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Undiscounted financial assets:</b>						
Cash	1,731	1,731	1,731	–	–	–
Fixed deposits	2,654	2,654	2,654	–	–	–
Trade receivables	15,303	15,303	15,303	–	–	–
Other current assets	1,117	1,117	1,117	–	–	–
Total undiscounted financial assets	20,805	20,805	20,805	–	–	–
<b>Undiscounted financial liabilities:</b>						
Bank loans	32,809	33,937	–	33,937	–	–
Trade payables and other current liabilities	6,961	6,961	6,961	–	–	–
Trust receipts and acceptances payable	597	617	–	617	–	–
Term loans	2,673	2,993	–	1,073	1,920	–
Total undiscounted financial liabilities	43,040	44,508	6,961	35,627	1,920	–
Total net undiscounted financial (liabilities)/assets	(22,235)	(23,703)	13,844	(35,627)	(1,920)	–

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**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**b) Liquidity risk (continued)**

2017 Company	Total carrying value	Total	On demand	< 1 year	1 - 5 years	> 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Undiscounted financial assets:</b>						
Cash	29	29	29	–	–	–
Trade receivables	8,393	8,393	8,393	–	–	–
Other current assets	544	544	544	–	–	–
Due from subsidiaries (trade)	20,718	20,718	20,718	–	–	–
<b>Total undiscounted financial assets</b>	<b>29,684</b>	<b>29,684</b>	<b>29,684</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Undiscounted financial liabilities:</b>						
Trade payables and other current liabilities	804	804	804	–	–	–
Due to subsidiaries (trade)	48,047	48,047	48,047	–	–	–
<b>Total undiscounted financial liabilities</b>	<b>48,851</b>	<b>48,851</b>	<b>48,851</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total net undiscounted financial liabilities</b>	<b>(19,167)</b>	<b>(19,167)</b>	<b>(19,167)</b>	<b>–</b>	<b>–</b>	<b>–</b>

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts is allocated to the earliest period in which the guarantee could be called.

	2018				2017			
	One year or less \$'000	One to five years \$'000	Over five years \$'000	Total \$'000	One year or less \$'000	One to five years \$'000	Over five years \$'000	Total \$'000
Financial guarantees	9,123	–	–	9,123	5,360	–	–	5,360

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**c) Foreign currency risk**

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily, Philippine Peso (PHP), Renminbi (RMB) and New Taiwan Dollar (NTD). The foreign currencies in which these transactions are denominated are mainly US\$. Approximately 29% (2017: 32%) of the Group's sales are denominated in foreign currencies whilst almost 31% (2017: 34%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payable balances at the end of the reporting period have similar exposures.

The Group and the Company also hold cash and fixed deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in NTD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Taiwan and People's Republic of China (PRC).

*Sensitivity analysis for foreign currency risk*

The following table demonstrates the sensitivity of the Group's and the Company's profit/(loss) before tax to a reasonably possible change in the PHP, NTD and RMB exchange rates (against US\$), with all other variables held constant. The reasonably possible change was computed based on management assessment.

	Group	
	2018 \$'000	2017 \$'000
	Effect on loss before tax	Effect on loss before tax
<b>PHP</b>		
Strengthened 5.3% (2017: 0.4%)	5	5
Weakened 5.3% (2017: 0.4%)	(4)	(5)
<b>RMB</b>		
Strengthened 5.1% (2017: 4.9%)	(84)	(83)
Weakened 5.1% (2017: 4.9%)	76	75
<b>NTD</b>		
Strengthened 3.0% (2017: 8.2%)	(156)	(1,195)
Weakened 3.0% (2017: 8.2%)	147	1,014

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**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**d) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and credit-worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Chief Executive Officer.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and bank balances and other receivables (including related party balances), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

*Trade receivables*

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions. Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix.

**2018**  
**Group**

	Current \$'000	> 30 days \$'000	> 60 days \$'000	> 90 days \$'000	> 120 days \$'000	Total \$'000
Gross carrying amount	12,029	1,833	169	143	778	14,952
Loss allowance provision	–	–	–	–	(225)	(225)
	12,029	1,833	169	143	553	14,727

*Exposure to credit risk*

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets and a nominal amount of \$9.0 million (2017: \$5.3 million) relating to a corporate guarantee provided by the Company to a bank on a subsidiary's bank loan.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 14.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

(Amounts in United States dollars unless otherwise stated)

**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**d) Credit risk (continued)**

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at end of the reporting period is as follows:

	Group			
	2018		2017	
	\$'000	% of total	\$'000	% of total
<b>By country:</b>				
USA	785	5%	543	4%
Europe	1,861	13%	1,535	10%
Asia Pacific	12,058	82%	13,225	86%
Canada	23	0%	–	0%
	<u>14,727</u>	<u>100%</u>	<u>15,303</u>	<u>100%</u>
<b>By segment:</b>				
Manufacturing	11,415	77%	11,685	76%
Hospital services	2,021	14%	1,943	13%
Trading	1,291	9%	1,675	11%
	<u>14,727</u>	<u>100%</u>	<u>15,303</u>	<u>100%</u>

The Group has no significant concentrations of credit risk, except for 12% (2017: 10%) of trade debts relating to three major customers of the Group. Revenues from these three customers constitute about 44% (2017: 46%) of the Group's turnover.

At the end of the reporting period, approximately:

- \$1.7 million (2017: \$1.5 million) of the Group's trade receivables were due from three major customers located in the USA and Europe.
- Nil (2017: nil) of the Group's trade and other receivables were due from related parties, while nil (2017: nil) of the Company's trade and other receivables were balances with related parties.

Credit quality

The credit quality of the Group's financial assets that are neither past due nor impaired are considered to be of high grade quality and expected to be collectible without incurring any credit losses. High grade financial assets are those financial assets whose realisability is assured.

Financial assets (including sundry debtors and deposits) that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group. Cash and bank balances and fixed deposits are entered into with reputable financial institutions duly approved by the directors.

Information regarding financial assets that are either past due or impaired is disclosed in Note 14.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**32. FINANCIAL INSTRUMENTS**

**a) Classification**

<b>2018</b>		Non-financial	
<b>Group</b>	Financial assets	assets	Total
	\$'000	\$'000	\$'000
<b>Assets</b>			
Cash and bank balances and fixed deposits	8,781	–	8,781
Trade receivables	14,727	–	14,727
Other current assets	1,263	15,825	17,088
Inventories	–	33,850	33,850
Property, plant and equipment	–	21,600	21,600
Investment property	–	3,061	3,061
Assets held for leasing	–	6,317	6,317
Goodwill	–	709	709
Deferred tax assets	–	13	13
Other non-current assets	–	6,744	6,744
	<u>24,771</u>	<u>88,119</u>	<u>112,890</u>
<b>2018</b>	Other financial	Non-financial	
<b>Group</b>	liabilities	liabilities	Total
	\$'000	\$'000	\$'000
<b>Liabilities</b>			
Bank loans	32,716	–	32,716
Trade payables and other current liabilities	5,936	865	6,801
Trust receipts and acceptances payable	–	–	–
Income tax payable	–	1,097	1,097
Term loans	8,098	–	8,098
Pension benefits obligation	–	585	585
Deferred tax liabilities	–	202	202
Deferred lease income	–	43	43
	<u>46,750</u>	<u>2,792</u>	<u>49,542</u>



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**32. FINANCIAL INSTRUMENTS (continued)**

**a) Classification (continued)**

2018 Company	Financial assets	Non-financial assets	Total
	\$'000	\$'000	\$'000
<b>Assets</b>			
Cash and bank balances and fixed deposits	296	–	296
Trade receivables	7,034	–	7,034
Other current assets	376	15,101	15,477
Inventories	–	77	77
Due from subsidiaries (trade)	34,676	–	34,676
Investment in subsidiaries	–	24,883	24,883
Property, plant and equipment	–	44	44
Deferred tax assets	–	13	13
Other non-current assets	–	3,800	3,800
	<u>42,382</u>	<u>43,918</u>	<u>86,300</u>
	Other financial liabilities	Non-financial liabilities	Total
	\$'000	\$'000	\$'000
<b>Liabilities</b>			
Trade payables and other current liabilities	718	12	730
Income tax payable	–	2	2
Due to subsidiaries (trade)	56,588	–	56,588
Pension benefits obligation	–	133	133
Term loans	5,000	–	5,000
	<u>62,306</u>	<u>147</u>	<u>62,453</u>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**32. FINANCIAL INSTRUMENTS (continued)**

**a) Classification (continued)**

<b>2017 Group</b>	Financial assets \$'000	Non-financial assets \$'000	Total \$'000
<b>Assets</b>			
Cash and bank balances and fixed deposits	4,385	–	4,385
Trade receivables	15,303	–	15,303
Other current assets	1,117	15,858	16,975
Inventories	–	34,312	34,312
Property, plant and equipment	–	23,410	23,410
Investment property	–	3,225	3,225
Assets held for leasing	–	5,148	5,148
Goodwill	–	709	709
Deferred tax assets	–	15	15
Other non-current assets	–	6,057	6,057
	<u>20,805</u>	<u>88,734</u>	<u>109,539</u>
	Other financial liabilities \$'000	Non-financial liabilities \$'000	Total \$'000
<b>Liabilities</b>			
Bank loans	32,809	–	32,809
Trade payables and other current liabilities	6,961	1,154	8,115
Trust receipts and acceptances payable	597	–	597
Income tax payable	–	1,499	1,499
Term loans	2,673	–	2,673
Pension benefits obligation	–	721	721
Deferred tax liabilities	–	202	202
	<u>43,040</u>	<u>3,576</u>	<u>46,616</u>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**32. FINANCIAL INSTRUMENTS (continued)**

**a) Classification (continued)**

2017 Company	Financial assets	Non-financial	Total
	\$'000	assets \$'000	\$'000
<b>Assets</b>			
Cash and bank balances and fixed deposits	29	–	29
Trade receivables	8,393	–	8,393
Other current assets	544	15,056	15,600
Inventories	–	84	84
Due from subsidiaries (trade)	20,718	–	20,718
Investment in subsidiaries	–	24,883	24,883
Property, plant and equipment	–	61	61
Investment Property	–	53	53
Deferred tax assets	–	15	15
Other non-current assets	–	3,267	3,267
	<u>29,684</u>	<u>43,419</u>	<u>73,103</u>
	Other financial	Non-financial	Total
	liabilities	liabilities	
	\$'000	\$'000	\$'000
<b>Liabilities</b>			
Trade payables and other current liabilities	804	14	818
Income tax payable	–	1	1
Due to subsidiaries (trade)	48,047	–	48,047
Pension benefits obligation	–	183	183
	<u>48,851</u>	<u>198</u>	<u>49,049</u>

**b) Fair values**

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's-length transaction, other than in a forced or liquidation sale.

*Financial instruments whose carrying amounts approximate fair values*

Management has determined that the carrying amounts of cash and bank balances, fixed deposits, due from an affiliated company, corporate shareholder and subsidiaries, trade receivables, other current assets, trade payables and other current liabilities, term loans, bank loans and trust receipts and acceptances payable, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**32. FINANCIAL INSTRUMENTS (continued)**

**c) Fair values (continued)**

Financial instruments carried at other than fair value

Non-current financial instruments carried at other than fair value set out below is a comparison by category of carrying amounts and estimated fair values of all of the Group's and Company's financial instruments that are carried in the financial statements at other than estimated fair values as at 31 December.

	Group				Company			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities:</b>								
Long-term loans	8,098	2,673	2,912	2,914	5,000	–	5,000	–

Methods and assumptions used to determine fair values

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned earlier, are as follows:

Financial assets and liabilities	Methods and assumptions
<ul style="list-style-type: none"> <li>Term loans</li> <li>Long-term loans</li> </ul>	Fair value has been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements. The fair values are based on discounted net present value of cash flows using effective discount rates of (2018: 2.3% to 8.5%) (2017: 2.7% to 8.5%).

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**33. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by the sum of total capital and net debt. The Group's policy is to keep the gearing ratio in the range of 40.0%-60.0%. The Group includes within net debt, loans and borrowings, trade payables and other current liabilities, less cash and bank balances and fixed deposits. Capital includes equity attributable to the equity holders of the Company.

	Group	
	2018	2017
	\$'000	\$'000
Loans and borrowings	40,814	36,079
Trade payables and other current liabilities	6,801	8,115
Less: Cash and bank balances and fixed deposits	(8,781)	(4,385)
	<u>38,834</u>	<u>39,809</u>
Equity attributable to the equity holders of the Company	62,332	61,917
	<u>101,166</u>	<u>101,726</u>
<b>Capital and net debt</b>	<b>101,166</b>	<b>101,726</b>
<b>Gearing ratio</b>	<b>38.4%</b>	<b>39.1%</b>

**34. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE**

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution by the Board of Directors on March 25, 2019.



A Leader In Medical Consumables  
**Medtecs International Corporation Limited**

### Taiwan Office

#### Medtecs (Taiwan) Corporation

11F, No.9, SongGao Rd., Xinyi Dist., Taipei City 110, Taiwan  
TEL : +886-2-2739-2222

### Cambodia Office

#### Medtecs (Cambodia) Corporation Limited

No. 62, Street 348, Sangkat Toul Svay Prey 2 Khan  
Chamkamorn Phnom Penh, Cambodia  
TEL : +855-23-721000

### Philippines Office

#### Medtecs International Corporation Limited

7B Country Space 1 Bldg. 133 H.V Dela Costa St. Makati City 1227  
TEL : +63-2-817-9000

### Singapore Office

#### Medtecs (Asia Pacific) Pte. Ltd.

4F., 21 Merchant Road, Singapore 058267  
TEL : +65-6534-9293

### China Office

#### Hangzhou Jinchun Medical Supplies Manufacture Co., Ltd.

202 Zhangshan Road Yuhang, District Hangzhou China, 311107  
TEL : +86-571-8639-6888



[www.medtecs.com](http://www.medtecs.com)



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