Medtecs International Corporation Limited

2021
Annual Report

A Corporation listed on the Catalist Board of the Singapore Exchange Securities Trading Limited

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").

This document has not been examined or approved by the Exchange. The Exchange assumes 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.

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MEDTECS INTERNATION CORPORATION LIMITED

Corporate Profile

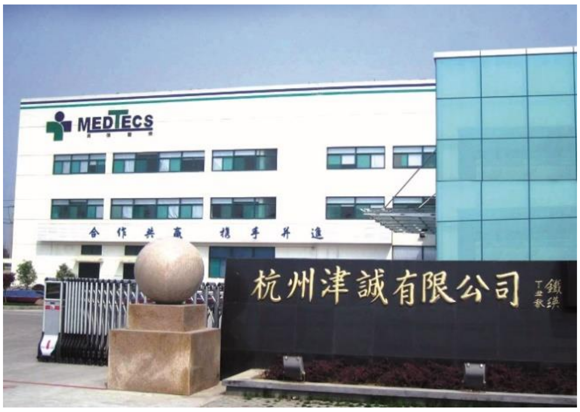
Headquarters – Taipei, Taiwan

Medtecs International Corporation Limited (the "**Company**" or "**Medtecs**") is a leading supplier and distributor of personal protective equipment ("**PPE**") and provider of logistics services to healthcare institutions with over 30 years of experience in the manufacturing of PPE and workwear. The Company and its subsidiaries (collectively, the "**Group**") commenced operations 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 including Singapore, Taiwan, the Philippines, the People's Republic of China ("**China**"), Cambodia and the United States of America. The Company was listed on the 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. as its continuing sponsor on 26 February 2010. The Group's Taiwan Depository Receipts ("**TDR**") have been listed on the Taiwan Stock Exchange (TWSE) since 13 December 2002.

The Group's main lines of business include manufacturing, trading and distribution, and providing integrated hospital services. As a manufacturer of a wide range of PPE, workwear apparels and protective coverings for hospitals and manufacturing industries, the Group maintains diversified manufacturing facilities and production lines in the Philippines, Cambodia, Taiwan and China and the United States to reduce supply chain disruptions. For our trading and distribution business, the Group has logistics and warehousing centers in Canada, Europe, Japan and the United States and is working with Amazon, DHL and other e-commerce and logistics services providers to optimize our distribution efficiency. As a hospital services provider, the Group provides hospitals in Taiwan and the Philippines with integrated services which include rental and laundry of linens, management of laundry facilities, hospital automation, as well as procurement solutions for the hospital's PPE and medical devices needs. In Taiwan, the Group is currently the dominant total solutions provider for such hospital services, with a customer base of 29 hospitals.

The Group has also successfully expanded its hospital service in the Philippines, covering 33 hospitals.

The Group is dedicated to safeguarding the health and safety of people worldwide

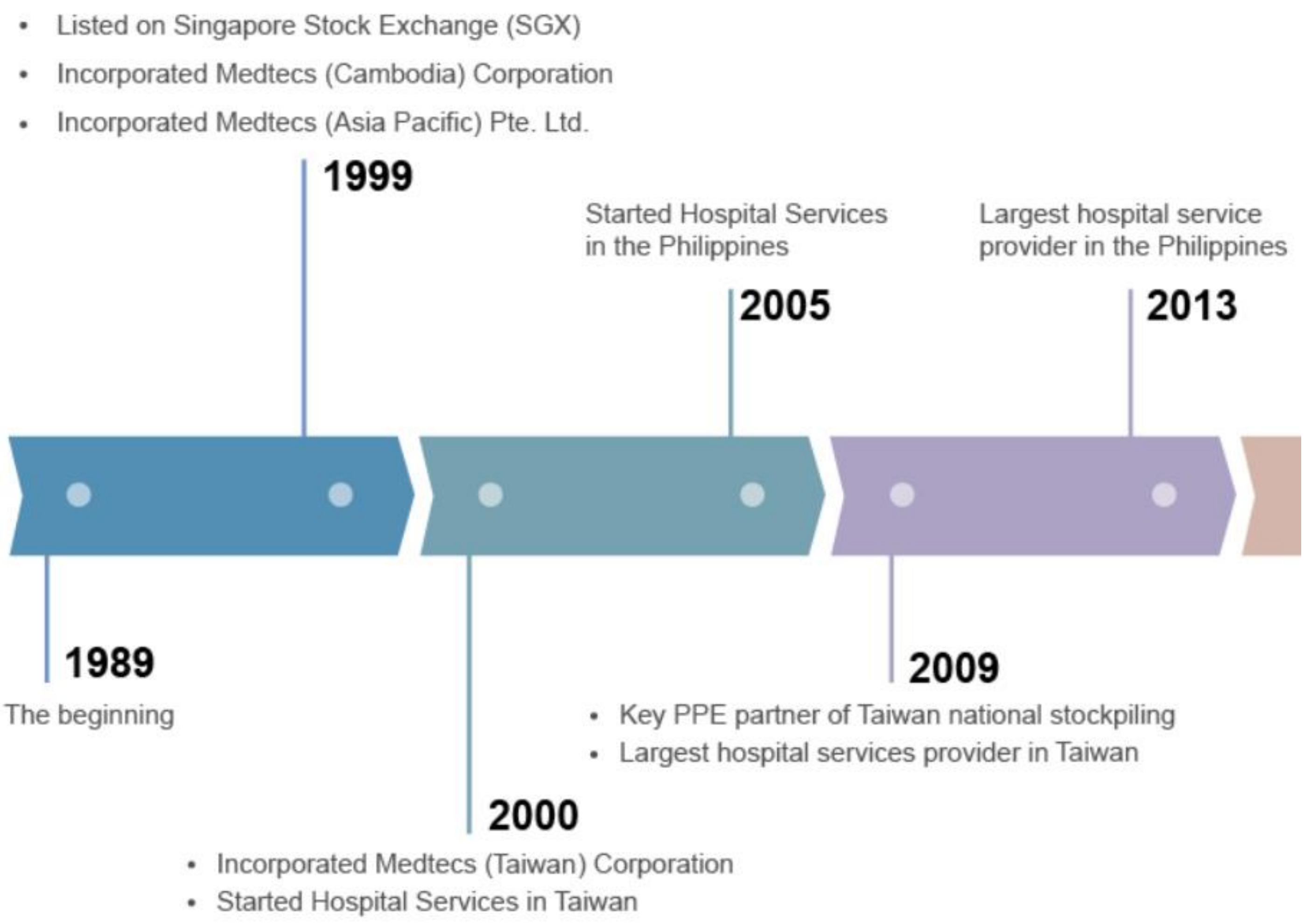


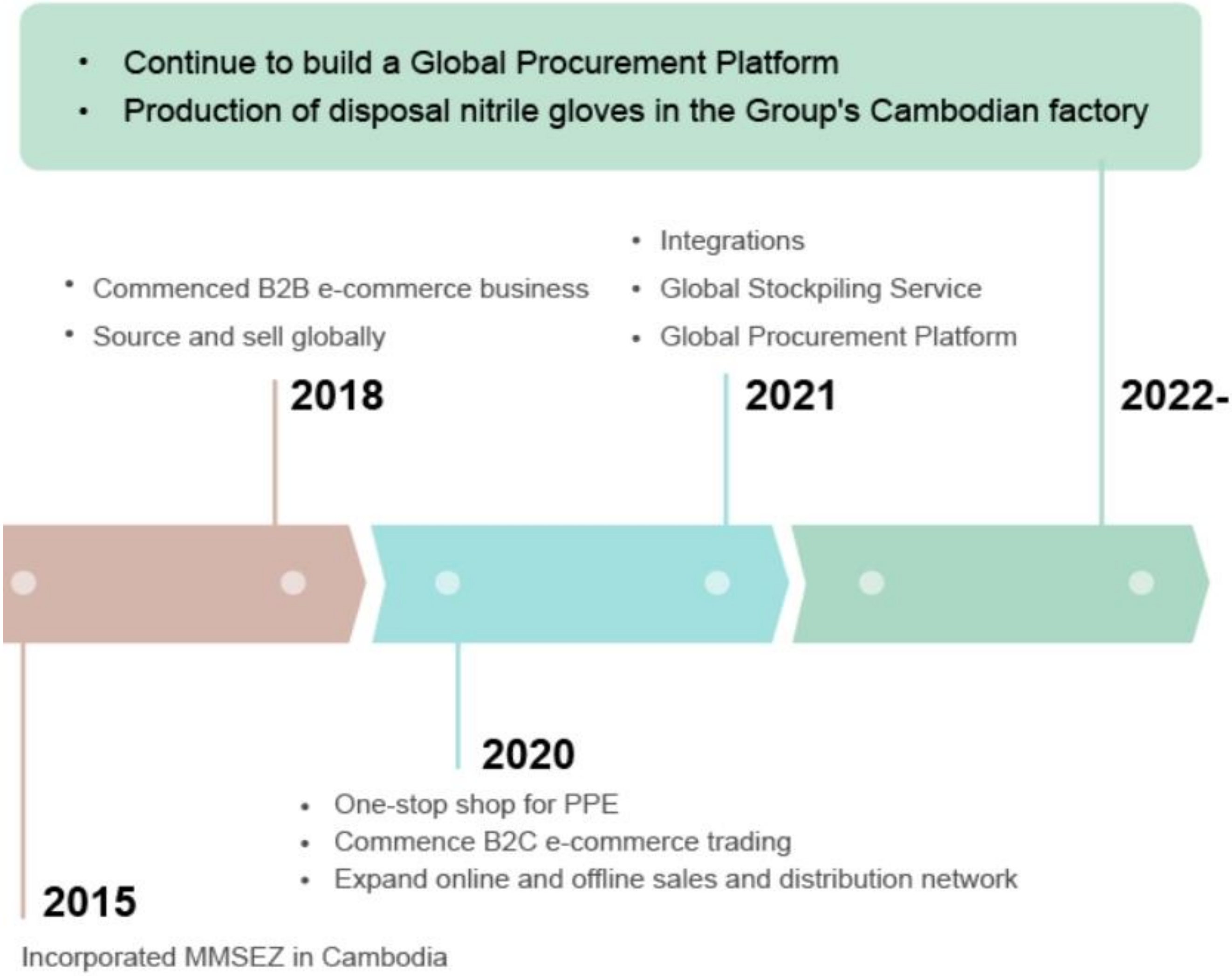
China Factory


Philippines Factory


Cambodia Factory

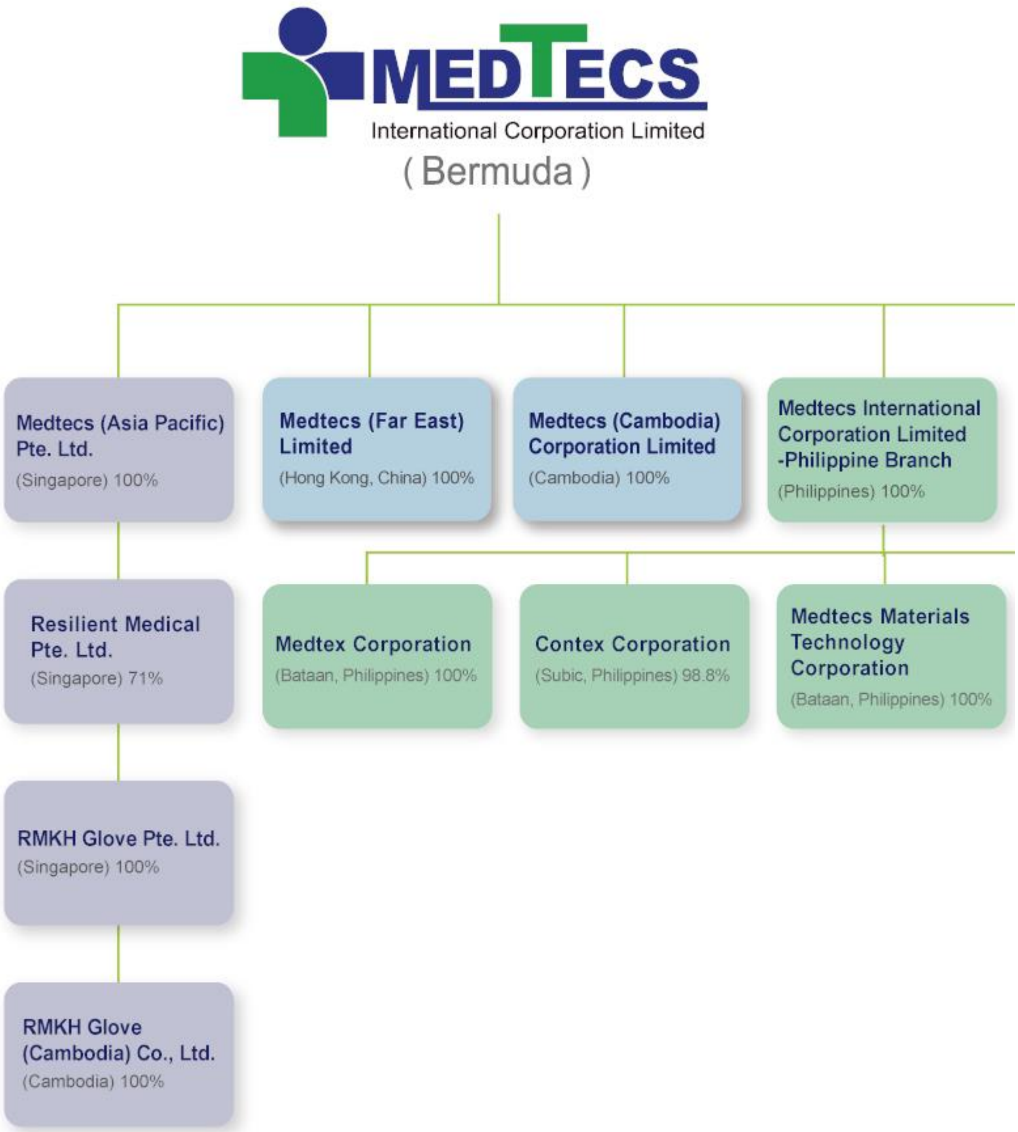
Corporate Milestones

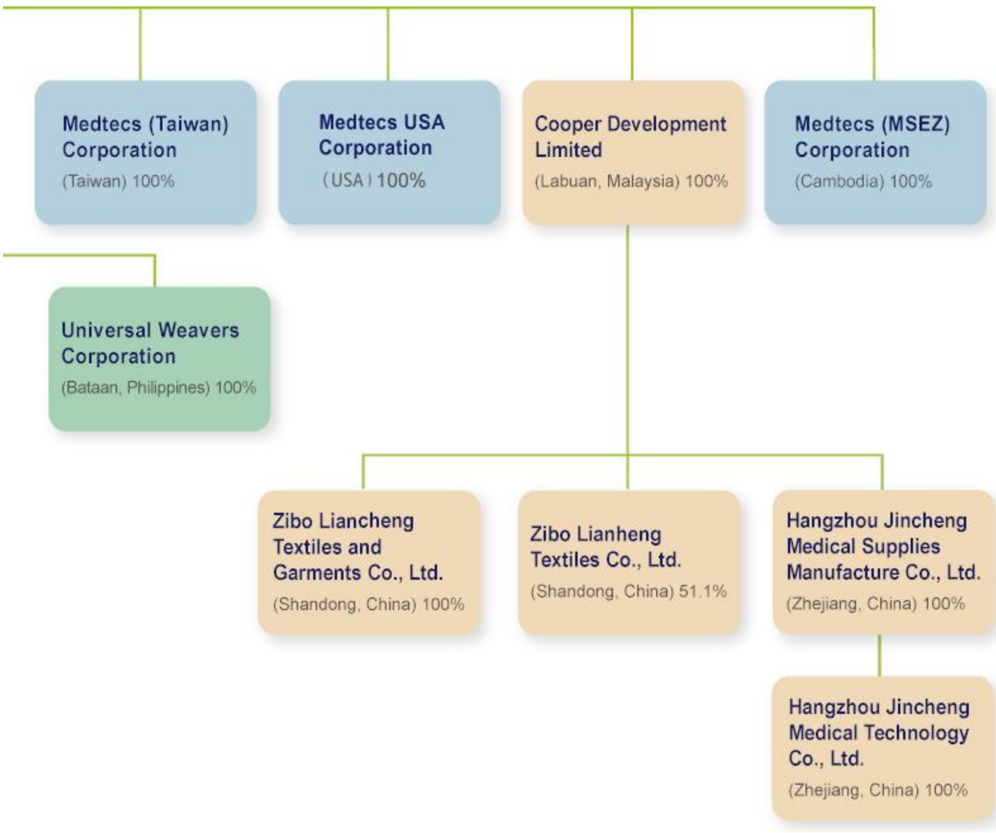




• Continue to build a Global Procurement Platform
• Production of disposal nitrile gloves in the Group's Cambodian factory
• Commenced B2B e-commerce business
• Source and sell globally
2018
• Integrations
• Global Stockpiling Service
• Global Procurement Platform
2021
2022-
2020
• One-stop shop for PPE
• Commence B2C e-commerce trading
• Expand online and offline sales and distribution network
2015
Incorporated MMSEZ in Cambodia

Corporate Structure





The Company and its subsidiaries as at 31 December 2021.

Chairman's Message

Dear Shareholders,

I am pleased to present to you the operational and financial results of the Group for the financial year ended 31 December 2021 ("**FY**") 2021, as well as the Group's 2022 outlook.

The Year 2021 in Review

Navigating the COVID-19 Pandemic

2021 marked the second year of the SARS-CoV-2 ("COVID-19") pandemic. While global efforts to administer COVID-19 vaccinations and stockpile PPE were maintained to combat the emergence of various mutations of COVID-19, governments worldwide are now gradually lifting their COVID-19 restrictions and learning to live with the virus. While it's uncertain when the pandemic will eventually end, there has been a shift in terms of mask usage and PPE stock management by public health systems, the healthcare industry, and the general public. For example, we note that when considering mask options, the average consumer's focus has shifted towards products that are "lightweight", "reusable", and come in a "variety of styles".

We have continued pouring resources into developing a resilient supply chain to meet the need for a one-stop-shop procurement platform for healthcare providers, as well as diversifying our e-commerce business, and we are proud of the headway we've made as a result.

FINANCIAL PERFORMANCE

Group Remained Profitable

In FY2021, the Group's revenue decreased by 64.0% to US$144.2 million due to an overall lower demand for PPE amongst our customer base, as most of our customers had already built up their PPE stockpile in the previous year. This coincided with an increase in suppliers of raw materials for PPE, which led to an overall reduction in the average selling price of PPE. The Group's net profit decreased by 87.5% to US$16.51 million, reflecting higher transportation and warehousing costs, as well as increased marketing expenses. Notwithstanding the overall decrease in revenue and net profit, the Group remained profitable for FY2021.

Strong Balance Sheet

In FY2021, the Group generated an operating cash flow of US$29.8 million. After deducting the cash outflow for investing activities of US$15.4 million and the cash outflow for financing activities of US$47.5 million (due to payments of loans, cash dividends and purchase of treasury shares), the cash position as at the end of FY2021 is about US$50 million with merely US$9.3 million in bank loans. The Group's high-liquidity financial position provides ample resources for future investments and a safety buffer for potential interest rate hikes. On top of this, to improve our asset quality, we adopted a more conservative approach in FY2021 and recognized an inventory provision amounting to US$3 million in reserve preparation against possible fluctuations in PPE market price.

SALES PERFORMANCE

Furthering Our GPO Development Strategy

Continuing our expansion strategy first set in place in 2020, we worked with group purchasing organizations (GPOs) and set up multiple distribution centers in North America. Leveraging our production efficiency, product quality, and speedy delivery, we successfully penetrated the distribution channels of multiple hospital PPE suppliers. As a result, the North American region contribution to the Group's overall revenue rose from 12.3% to 26.1% in FY2021.

As announced on 2 March 2021 and 22 November 2021, we set up a joint venture company, Resilient Medical Pte. Ltd., with ACO International Limited, with a view to building a one-stop-shop medical supplies platform with a diversified and resilient supply chain for our end users. As part of the GPO development strategy, we launched Cambodia's first nitrile gloves factory located in the Manhattan Special Economic Zone in Svay Rieng Province. The glove factory is expected to commence production by the end of the first half of 2022. This also means the Group is one step closer to expanding its foothold in the PPE industry through the expansion of its range of PPE products as we note there are more products being manufactured and offered.

Expanding Our E-commerce Coverage

Utilizing our "Source and Sell Globally" strategy and e-commerce capabilities, we increased market presence by making available to retail customers Medtecs service and products on various e-commerce platforms, thereby boosting our business-to-consumer ("**B2C**") sales in 2021. We focused on Amazon USA and other major e-commerce platforms in Taiwan.

Medtecs Brand Recognised

In 2021, Medtecs collaborated with renowned organizations and public figures for the first time ever. We were honored to be a sponsor of the Chinese Taipei Olympic Committee to create “Games-inspired” face masks. These masks were worn exclusively by team Taiwan’s athletes participating in the Tokyo Olympics, along with the *CoverU* Jackets also donated by Medtecs, to safeguard their health during the Games and travel. Not only did these products go out of stock amid the hype for Olympics, through successful advertising on TV and online platforms, Medtecs-branded products and *CoverU* series also gained quick popularity, increasing our brand value.

FULFILLING CORPORATE SOCIAL RESPONSIBILITY

Collaborations with Government, Social Welfare and NGOs

We joined forces with notable non-governmental organizations such as The TSMC Charity Foundation, other social welfare organizations and singer Harlem Yu, to support the vulnerable groups in need of PPE through donations of N95 masks, coveralls, and face shields, thereby demonstrating the spirit of “Taiwan Can Help, and Taiwan is Helping!”

Partnerships with Local Communities

Medtecs first started operations in Southeast Asia more than 30 years ago, through our production bases in Cambodia and the Philippines in which almost all of our employees are locals. Engaging and working with local governments, agencies and communities has been an integral part of the Group’s success, and in FY2021 this was no different.

Continuing our philanthropic efforts which started in 2020—from emergency response teams, police departments, and the Samdech Techo Voluntary Youth Doctor Association (TYDA) in Cambodia to the Philippine Red Cross and municipal health offices in the Philippines—in FY2021, we donated a large number of medical supplies, PPE, and basic necessities to support the local communities in Cambodia and the Philippines that were affected by the COVID-19 pandemic.

Medtecs also cooperated with the Ministry of Education, Youth and Sport in Cambodia and the United Nations Educational, Scientific and Cultural Organization (UNESCO) to conduct literacy classes for Medtecs factory employees. By offering these classes, we hope to reduce social and economic inequality and improve the health and well-being of our workers.

Focus on ESG to Promote Sustainability

Adhering to the three R's – reduce, reuse and recycle, we continued improving our ongoing training for our production line workers and related personnel. Through these training sessions, we aimed to reduce product defects during the production process, thereby reducing scrap and material waste. In addition, we purchased new tunnel washers that could recycle used water for the next laundering cycle. Apart from reducing water consumption, we also increased energy efficiency by using direct-fired dryers over traditional steam dryers. This solved the problem of heat loss from steam pipeline, increased drying efficiency, and further reduced our carbon footprint.

Outlook for 2022

The New Normal: Living with COVID-19

Looking ahead, the world is on the road to recovery from COVID-19 as countries around the globe transition from fighting to contain the pandemic to living with the virus. Wearing PPE and masks in public have become the new norm and part of most of the world's their daily lives.

Efficient One-Stop Shop

As we move towards living with COVID-19, institutional customers will put greater value on supply chain resilience and velocity. Bearing that in mind, we will continue to work with healthcare GPOs every step of the way from manufacturing and procurement to logistics and warehouse storage, so that we can provide consistent and reliable service as it has always been our mission to provide safe and effective products with speed, warmth, and care. We are committed to becoming a key PPE supply and stockpiling partner for governments and hospitals around the world.

Operation Transformation

Organic Growth Comes Before M&A Opportunities

With over 30 years of experience in manufacturing medical consumables and providing hospital services, we have been through all the ups and downs. It was our commitment to provide quality service and reliable products that gained long-standing support and trust from our clients, enabling us to overcome all the obstacles and continue to pursue our growth to where we are today. Moving forward, with this as our foundation, we will utilize our resources and explore investing in advanced technology with a view to improving our competitiveness and meeting changing demand. We will not rule out exploring acquisitions of industry peers to expand our capabilities and maintain a competitive advantage.

Investing in Renewable Energy to Develop Another Growth Driver

Our main production bases are located in Cambodia, the Philippines, and Taiwan. And it just so happens, these countries all adopted policies encouraging renewable energy. To keep pace with global sustainability trends, the Company is exploring the possibility of foraying into the renewable energy market to develop another growth driver for the Group. The Company presently intends to focus on and evaluate the merits of solar power and energy storage services, including installation of solar panels in our existing factories. More information on our future plans will be provided to, and requisite approvals will be obtained from, shareholders at the appropriate juncture.

Acknowledgement

In closing, I would like to thank our dedicated Medtecs employees who came to work every day faced with all kinds of challenges while coping with uncertainties during the pandemic.

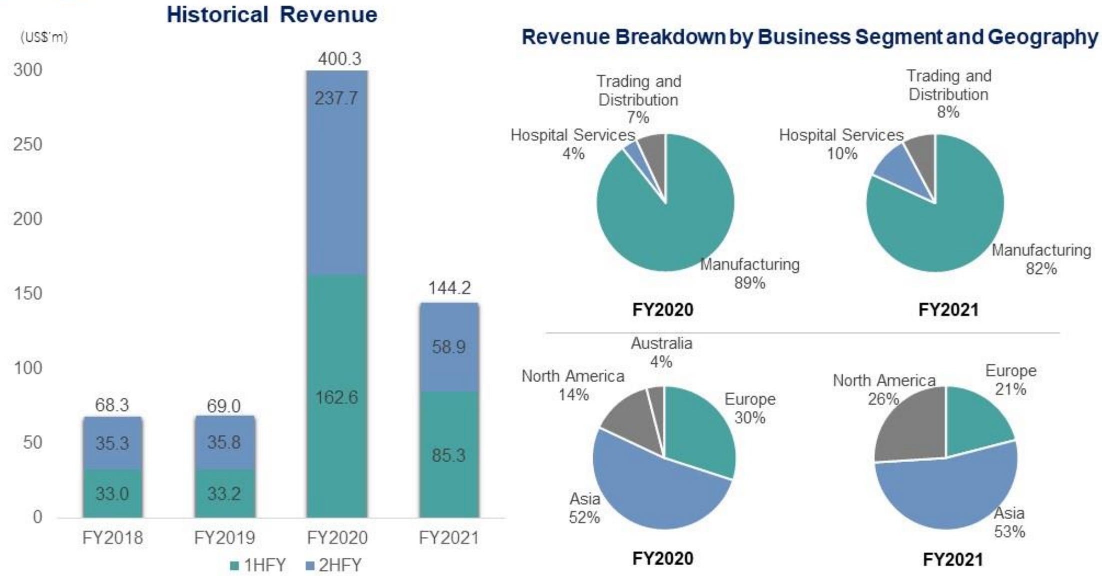
I also want to recognize our Board of Directors for their long-standing guidance and commitment, providing valuable feedback and resources as we work together to transform Medtecs into something greater.

Lastly, on behalf of the Board and our Management team, I would like to express my sincere gratitude to our shareholders for their trust and unwavering support in us. We will continue to work hard and achieve our goals. Thank you all!

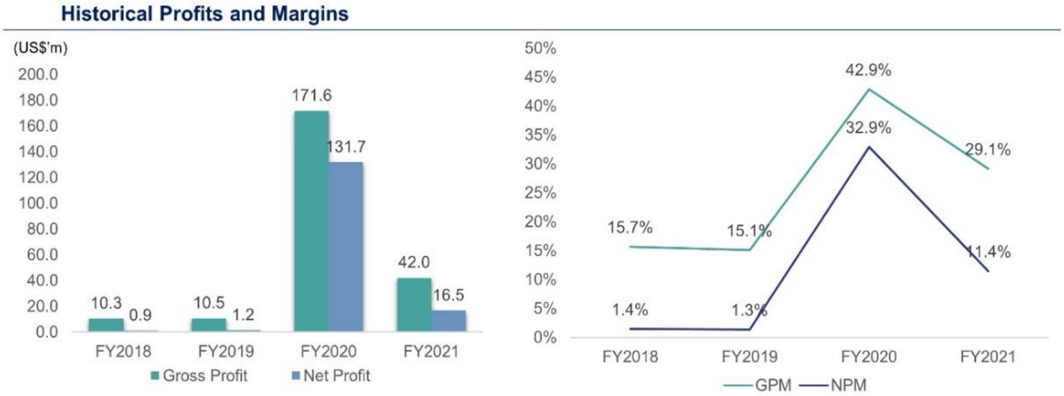
Clement, Yang Ker-Cheng
Chairman

Financial Highlights

Revenues declined in FY2021 following build-up of stocks by our customers in previous year



FY2021 noted decline in profits and margins from lower demand and decline in market prices



- Decreased profit margins in 2021 resulted from the decline in market prices of healthcare products with the increased stocks in the supply chain. The Group lowered its average selling price of stocks by approximately 20% to 30% towards the end of 2021 in order to remain competitive in the global market.
- There has also been a shift in product sales mix of the Group with shift to lower margined OEM sales.
- 40% of OPM 2021 revenue was contributed by new customers.
- The Group increased its spending for advertising and marketing expenses as it leverages on expanding its online operations in Amazon US.

Financial Position

Balance Sheet Highlights

(US$'m)	As at 31 Dec 21	As at 31 Dec 20
Cash and bank balances	49.0	82.2
Inventory	49.7	53.7
- Inventory days	177	86
Account Receivables	42.3	49.3
- AR days	107	45
Account Payables	8.7	10.4
- AP days	31	17
Key Ratios		
Debt / Equity (x)	0.1x	0.2x
Net Debt / Equity (x)	n.m.	n.m.

Capex Increase – To increase capacity for new glove factory

(US$'000)	FY2021	FY2020
Cashflow from operating activities	29,760	101,341
Cashflow from investing activities	(15,422)	(6,184)
Cashflow from financing activities	(47,484)	(16,066)
Net cash (outflow)/inflow	(33,146)	79,091

Financial Review

The Group Generates US$144.2 million revenues and US$16.5 million Net Profits

Business Overview

The Group's revenue decreased by 64.0% to US$144.2 million in FY2021 from US$400.3 million in FY2020 due to lower sales of PPE and facemasks, after the build-up of stocks by most of our customers in the previous year. PPE demand, and as a result, the Group's margins, also declined in the latter part of the year with the slowdown of new COVID-19 cases worldwide amid the improving vaccination rates and easing of COVID-19 measures by various governments. Despite that, the Group has increased marketing efforts to expand its online operations, which contributed 3.7% to the Group's revenue in FY2021. Net profit decreased by 87.4% to US$16.5 million in FY2021 from US$131.7 million in FY2020 due to lower demand and margins for PPEs and facemasks.

Revenue

Revenue from the Original Product Manufacturing ("**OPM**") division decreased by 67.0% to US$117.9 million in FY2021 from US$357.8 million in FY2020 due to lower sales of PPEs and facemasks to customers from decline in global demand.

Revenues from Hospital Services division increased slightly by 2.1% to US$14.9 million in FY2021 from US$14.7 million in FY2020, which was attributable to higher service cost on linen consumption in Taiwan. Revenues from Trading, Distribution and others decreased by 64.0% to US$11.2 million in FY2021 from US$27.8 million in FY2020 due to lower demand, but partially offset by increased e-commerce sales in Taiwan.

Profitability

The Group's gross profit decreased by 75.5% to US$42.0 million in FY2021 from US$171.6 million in FY2020 arising from lower sales demand and decline in market prices from increased stock in supply chain. This led to a decrease in the Group's gross profit margins to 29.1% in FY2021 from 42.9% in FY2020.

Gross Profit from the OPM division decreased by 76.8% to US$36.6 million in FY2021 from US$157.6 million in FY2020 due to lower sales and decline in market prices for PPEs and facemasks. This also resulted to OPM Gross profits margins to decline by 29.7% to 31.0% in FY2021 from 44.1% in FY2020.

Hospital Services division gross profit increased by 233.2% to an income of US$1.2 million in FY2021 from a loss of US$1.0 million in FY2020 from improved efficiency in the linen management in Philippines and Taiwan.

Gross Profit from Trading, Distribution and others division decreased by 72.2% to US$4.1 million in FY2021 from US$14.9 million in FY2020 due to lower sales and average selling price of our stocks, which the Group lowered by approximately 20% to 30% towards the end of FY2021 in order to remain competitive in the global PPE market.

Other operating income net increased by 365.4% to US$1.7 million in FY2021 from US$0.4 million in FY2020 from foreign exchange gains.

Distribution, selling and administrative expenses decreased by 26.5% to US$26.0 million in FY2021 from US$35.4 million in FY2020 from lower freight expenses due to lower sales, but partially offset by higher marketing expense incurred to promote brand awareness.

Financial expenses decreased by 42.0% to US$0.9 million in FY2021 from US$1.5 million in FY2020 due to lower bank borrowings.

Income tax expenses decreased by 87.9% to US$0.4 million in FY2021 from US$3.4 million in FY2020 due to the lower net profits.

Net profit decreased by 87.5% to US$16.5 million in FY2021 from US$131.7 million in FY2020 due to lower sales and margins for PPE and facemasks.

Cash Flow and Balance Sheet

Total assets of the Group decreased by US$30.1 million to US$215.5 million in FY2021 from US$245.7 million in FY2020 due to decrease in cash from payments of bank loans, cash dividends, purchase of treasury shares and ongoing construction costs in Cambodia. Property, plant and equipment increased to US32.1 million in FY2021 from US$21.5 million in FY2020 as a result of the ongoing construction of the gloves production facility in Cambodia.

The Group generated operating cash flows of US$29.8 million in FY2021 as compared to operating cash flows of US$101.3 million in FY2020, which was attributable to lower sales demand. Cash outflow for investing activities increased to US$15.4 million in FY2021 from US$6.2 million in FY2020, mainly attributable to construction costs of the new glove production facility in Cambodia. Cash outflow from financing activities was US$47.5 million due to payments of loans, cash dividends and purchase of treasury shares.

Business Outlook and Prospects

The Company to grow e-commerce, Medtecs and CoverU brands to expand revenues

Looking ahead to FY2022, the world is on the road to recovery from the effects of the COVID-19 pandemic, which has highlighted the importance of healthcare products and pushed PPE and facemasks becoming part of the norm in most countries as the world transitions into living with COVID-19. The Group has also expanded the market presence of its own brand PPE and protective solutions globally through e-commerce platforms like Amazon in the USA and Momo, Shopee, PCHome, among others in Taiwan. E-commerce will remain a key growth area of the Group as we expand our e-commerce reach from Asia into the USA and the rest of the world.

The Company's joint venture company, Resilient Medical Pte. Ltd., is also constructing a nitrile glove factory in Cambodia, which is expected to commence production in the first half of FY2022, to diversify the Group's product portfolio. The nitrile glove factory will also complement our current production line in Cambodia, Philippines and China as we pursue more stockpiling businesses with governments worldwide.

The Group has expanded into B2C services and will leverage on the increased consumer awareness for its Medtecs and *CoverU* brands and seek further collaboration and franchising opportunities as well as tapping on the network of our retail partners to broaden our customer base.

As we move towards living with COVID-19, the Group will focus on pursuing strategic development to future-proof its market position and long-term growth.

Meanwhile, to keep pace with sustainability trends, the Company is exploring the possibility of foraying into the renewable energy market to develop another growth driver, including without limitation, investing in renewable energy together with external strategic partners to meet the requests from our clients for more green manufacturing in the future. The Company presently intends to focus on and evaluate the merits of solar power and energy storage services, including installation of solar panels in our existing factories. More information on our future plans will be provided to, and requisite approvals will be obtained from, shareholders at the appropriate juncture if and when these proposals materialise.

Looking ahead to 2022, in addition to enhancing the competitiveness of our core business, we intend to invest in capital expenditure for our nitrile glove factory in Cambodia and to explore the possibility of entering into the renewable energy sector to develop another growth driver as aforesaid. It is currently envisaged that such investments may eventually amount to up to US$20 million over a timeframe of several years. While these increased expenses may affect the Group's financial performance in FY2022, they are necessary costs to anchor our growth in a post-pandemic era.

Manufacturing

Manufacturing division has expanded its capacity to meet the Global Demands

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

After expanding its Philippine and Cambodia production base for facemask and PPE in FY2020, the Group is diversifying its product portfolio through its joint venture company Resilient Medical Pte. Ltd., which is currently constructing a nitrile glove factory in Cambodia. The Group is also open to exploring strategic partnership and alliances with suppliers and other healthcare companies to ramp up the technology and to have a more vertically integrated production line.

The COVID-19 pandemic has brought in a heightened awareness on our other healthcare and safety products adding to the growth of our existing European, North American and Asia Pacific customer base. We have also invested in additional branding and marketing initiatives to develop, promote and leverage on the Medtecs and *CoverU* brands for both facemasks and PPEs via e-commerce sites like Amazon and retail chains to make our products more accessible globally.

We have tapped the business-to-business ("**B2B**") and B2C business models to channel the growth in our operations and is working to expand our presence in more e-commerce platforms. We are working on having long-term PPE and facemask stockpiling arrangement with governments to provide stability in demand and becoming the lead partner in abating infectious diseases globally.

Hospital Services

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 with more hospitals outsourcing trend for non-core hospital operations over the region. We are also undertaking cost-reduction procedures to optimize margins on this segment.

Trading and Distribution and Others

Heightened awareness over healthcare will boost trading and distribution division

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 aims to be one-stop total solutions healthcare provider and the heightened awareness on the healthcare industry has boosted this division.

Research and Development

As an industry leader, we are well aware that we must continue with product innovation to keep pace with the ever-changing landscape of disease prevention as well as client demands. We have continued to expand our product portfolio to cater to different needs of our clients in preparation for life beyond the COVID-19 pandemic. We devoted the first half of FY2021 to improving the design and breathability of our signature CoverU flight jackets so wearers now enjoys full upper-body protection from air-borne pathogens when they commute, without worrying about fit or comfort. Our product development team also launched the new Medtecs HEPA Ultra Light facemasks in the second half of FY2021.

The HEPA Ultra Light facemasks boast 1/3 the level of breathing resistance compared to other medical-grade masks, thereby promoting enhanced airflow. They are ideal for extended wear or for working out. We expect to launch more new products for different demographics and occasions in 2022.

Corporate Social Responsibility

Medtecs strives to be an involved community member wherever we operate. Supporting and contributing to our local communities through volunteering and philanthropy is an important part of what we are as we advance our vision to better the world's health for everyone, everywhere.

During the COVID-19 pandemic, our core business of protecting people from infectious disease and occupational hazards enables us to provide much-needed production donations to those in need. This commitment saw us mobilizing our resources, stepping up production, and delivering vital PPE to frontline workers when the world was in the grip of the COVID-19 pandemic in 2020.

In 2021, as coronavirus cases continued to surge in different parts of the world as a result of the rise of COVID-19 variants like Delta and Omicron, Medtecs donated facemasks and other PPE to hospitals, schools and long-term care facilities and other organizations around the world. As at 31 December 2021, Medtecs had donated a total of over 5 million pieces of PPE, including 4,656,690 masks, 13,720 face shields and near 150,000 coveralls and isolation gowns.

2021 Donation Highlights

In February 2021, Medtecs collaborated with the Ministry of Foreign Affairs of Taiwan and TSMC Charity Foundation to donate PPEs to the Kingdom of Eswatini, Somalialand and St. Lucia. The donation comprised 150,000 pieces of surgical masks, 11,000 isolation gowns, 7,000 coveralls, 6,000 bouffant caps, 6,000 shoe covers, and 1,500 CoverU Jackets, which were later distributed to government agencies, health care facilities, and the underprivileged communities.

At the end of May 2021, Taiwan experienced its first major COVID-19 outbreak. Overnight, the demand for PPE exploded and the Group responded in record time, shipping much-needed PPE and other medical supplies back to Taiwan by air to hospitals, clinics and those in need. In just 25 days, Medtecs was able to distribute five million pieces of PPE from five distribution centres around the world. This has proved Medtecs' abilities to mobilize resources globally to assist clients across all sectors and during times of public health crisis, owing to the Company's years of experience and building the right relationships.

FY2021 Philanthropy Highlights

Even in the midst of an on-going pandemic, Medtecs still provided in-kind and monetary donations to other disaster relief efforts and non-profit organisations.

In January 2021, when a school close to the Group's Cambodian factory got flooded during the rainy season, we arranged for a pumping motor to be delivered and sent over volunteers from the Group's factory to provide the manpower needed to help install the pump and build a ditch to drain out the water so that children were able to return to school for in person learning as soon as possible. In May 2021, Medtecs donated US$100,000 to the Cambodian Red Cross for the 158th World Red Cross and Red Crescent Day, which celebrate the values and principles of the Red Cross and its initiatives to provide medical help to victims of natural disasters.

In December 2021, Medtecs sponsored a duathlon race in southern Luzon, Philippines, wherein participating athletes and event staff were given Medtecs Ultra-Light Face Masks for extra comfort and protection on the road.

A detailed summary of the Group's in-kind and cash donations as well as community outreach activities can be found in our FY2021 Sustainability Report to be issued in due course.

Joint donation with Ministry of Foreign Affairs of Taiwan and TSMC Charity Foundation to Kingdom of Eswatini, Somalialand and St. Lucia

Working with the Chinese Taipei Olympic Committee, Medtecs designed Team Taipei's limited edition face masks to safeguard the national team's health and safety

Children in New York City masking up with Medtecs masks

Mask donations for Philippine Vice President Leni Robredo's COVID-19 relief operations

Donation of US$100,000 to the Cambodian Red Cross for the 158th World Red Cross and Red Crescent Day

Investor Relations

At Medtecs, we appreciate the importance of establishing and maintaining long-term and meaningful relationships with all stakeholders. We are committed to providing timely updates and disclosures to all valued stakeholders and the broader investment community as we announce all major corporate and financial developments through SGXNet.

This is part of our corporate governance and investor relations programme as we pursue transparency and consistent engagement. The Group also strives to reach out to shareholders and investors via its corporate website at http://www.medtecs.com/en/about/investor-relations with the latest news and business developments, through its dedicated Investor Relations page. The Investor Relations page also houses the Group's annual reports, financial and corporate announcements, and news releases.

As we prepare for the post-COVID era, the investment story for Medtecs as a Group remains intact as we continue to see sustained demand for PPE as citizens around the world embrace "the new normal". The Company is also exploring the possibility of foraying into the renewable energy market to develop another growth driver. We will share all significant developments on this front with shareholders via the various investor relations channel.

As part of our shareholder communications programme, we will continue to keep the investor community updated on corporate developments through our regularly analyst and media engagements. During the year, the Group's outreach efforts focused on communicating the Group's sustainable competitive advantages and strategy moving forward. Management also engaged with the investment community through virtual meetings and conferences with trading representatives and both institutional and retail investors.

We appreciate the value and importance of providing viable channels for shareholders to raise questions and have their concerns addressed as part of an effective investor relations programme. As such, apart from annual general meetings, our investor relations team can be reached at investor.relations@medtecs.com.

Moving forward, the Group endeavours to continue with open and prompt communication to keep the market abreast of its latest development, in its efforts to enhance recognition in the market.

Corporate Directory

Board of Directors

Clement Yang Ker-Cheng
Chairman / Executive Director

William Yang Weiyuan
Deputy Chairman /
Executive Director /
Chief Executive Officer

Lim Tai Toon
Lead Independent Director

Carol Yang Xiao-Qing
Independent Director

Nieh Chien-Chung
Independent Director

Audit Committee

Lim Tai Toon
Chairman

Carol Yang Xiao-Qing
Member

Nieh Chien-Chung
Member

Remuneration Committee

Nieh Chien-Chung
Chairman

Carol Yang Xiao-Qing
Member

Lim Tai Toon
Member

Nominating Committee

Carol Yang Xiao-Qing
Chairman

Lim Tai Toon
Member

Nieh Chien-Chung
Member

Clement Yang Ker-Cheng
Member

William Yang Weiyuan
Member

Company Secretaries

Abdul Jabbar Bin Karam Din
Company Secretary

Codan Services Limited
Assistant Company Secretary

Share Transfer Agent

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
Keppel Bay Tower #14-07
Singapore 098632

Sponsor

R & T Corporate Services Pte. Ltd.
9 Straits View #06-07
Marina One West Tower
Singapore 018937

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Auditors

SyCip Gorres Velayo & Co.
(A Member Firm of Ernst & Young Global Limited)
6760 Ayala Avenue
1226 Makati City
Philippines

Partner in Charge:
Alvin M Pinpin
(From 15 November 2020)

Principal Bankers

Bank of Taiwan
2F-2, No. 66, Sachong Rd., Nangang Dist.,
Taipei Taiwan

Far Eastern International Bank
27F, No.207 Dunhua S. Road, Sec.2 Daan
District Taipei City 106, Taiwan

Land Bank of Taiwan
No.46, Guancian Rd., Jhongjheng District,
Taipei City 100, Taiwan

Taishin International Bank
No. 118, Sec. 4, Ren-ai Road., Daan District,
Taipei, Taiwan

Taiwan Cooperative Bank
No.225, Sec. 2 Chang'an E. Rd. Songshan
District, Taipei City 105, Taiwan

Investor Relations

Citigate Dewe Rogerson Singapore Pte Ltd
105, Cecil St., #09-01
Singapore, 069534

Profile of the Board of Directors

Mr Clement Yang Ker-Cheng

Chairman / Executive Director

(Appointed as Director in 1997, re-elected in 2021)

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 Nominating Committee. 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 as well as the Founding Chairman of the Confederation of Philippine Manufacturers of PPE.

Mr Yang has more than forty 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 Willian Yang Weiyuan

Deputy Chairman /
Executive Director /
Chief Executive Officer

(Appointed as Director in 2013, re-elected in 2021)

Mr. William Yang Weiyuan was appointed as an Executive Director on 2 September 2013. He was appointed as Deputy Chairman on 26 February 2021.

Mr. William Yang graduated from New York Institute of Technology with a degree in Electrical and Computer Engineering in 2005. He is the General Manager of the Company's wholly-owned subsidiaries, namely Medtecs (Taiwan) Corporation since 1 July 2010 and Hangzhou Jincheng Medical Supplies Manufacture Co., Ltd. since 2008. As General Manager of two subsidiaries, he takes 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 and was subsequently appointed as the Company's Deputy Chairman on 26 February 2021.

Mr. William Yang has over 15 years of experience in the textile industry, with majority of those years devoted to developments of medical textile products, personal protective equipment, and hospital service for the healthcare industry.

Mr Lim Tai Toon | Lead Independent Director

(Appointed as Director in 2010, re-elected in 2021)

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 also 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 number of SGX listed companies; 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). Mr Lim has been an independent director and AC Chairman of Medinex Ltd since 2018. Mr Lim served as adjunct lecturer with Loughborough University for 17 years till 2020.

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. In recent years, Mr Lim was founding CEO of a social impact company in farm-to-table collaboration.

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). He is a Fellow Chartered Accountant of The Institute of Singapore Chartered Accountants.

Ms Carol Yang Xiao-Qing | Independent Director

(Appointed as Director in 2005 and subject to re-election in 2022)

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 Vice President and China Chief Representative of Give2Asia. Ms. Yang is also the co-founder of Galaxaco China Group LLC, an International Investment Advisory and Development firm with offices in Beijing and San Francisco. Ms. Yang has extensive experience in inbound investments, international business development and state regulatory matters in China. She has been engaged in hands-on projects development in China and has served as senior advisor to multi-national companies. Serving as CEO for more than 25 years at Galaxaco China Group, Ms. Yang helped American, European, and Chinese organizations execute their strategies in China.

Prior to founding Galaxaco, during her work as a journalist up to the mid-1980s, Ms. Yang spent most of her time traveling throughout China. She won an award of China journalism, which enabled her to go to Stanford University on a Communications Fellowship in 1985. Subsequently she received her Master of Science in Communication Management & Investor Relations from Simmons College in Massachusetts.

Dr Nieh Chien-Chung | Independent Director

(Appointed as Director on 8 August 2019 and subject to re-election in 2022)

Dr Nieh Chien-Chung was appointed as an Independent Director of the Company on 8 August 2019 and Chairman of the Remuneration Committee on 8 August 2019. He is a member of the Audit and Nominating Committees.

Dr Nieh holds directorships in Fulltech Fiber Glass Corp. as well as Microtips Technology Inc. Dr Nieh is currently a professor of Tamkang University and National Taipei University. He was also formerly a professor in National Cheng-Chi University. Dr Nieh holds an MBA in Finance in Baruch College, New York, USA. He also holds an MSc in Industrial Engineering, an MA in Economics and a PhD in Economics in Rutgers University, New Jersey, USA.

Financial Calendar

- **FY 31 December 2021**

  Announcement of Full Year Results

  1 March 2022

  Annual General Meeting

  29 April 2022

- **FY 31 December 2022**

  Announcement of Half Year Results

  Middle of August 2022

  Announcement of Full Year Results

  Last week of February 2023

Report on Corporate Governance

Medtecs is committed to achieving and maintaining a high standard of corporate governance within the Group by embracing the tenets of good governance, including accountability, transparency and sustainability, which will engender investor confidence and achieve long-term sustainable business performance. Good corporate governance establishes and maintains an appropriate culture, values and ethical standards of conduct at all levels of the Company, which helps to enhance long-term shareholder value whilst taking into account the interests of other stakeholders.

The Company 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 SGX-ST.

This report describes the corporate governance framework and practices of the Company that were in place during FY2021 with specific reference made to the principles and provisions of the revised Code of Corporate Governance (the "**2018 Code**") issued in August 2018, which forms part of the continuing obligations of the Company under the listing rules of the SGX-ST.

This Report should be read as a whole, instead of being read separately under the different principles of the 2018 Code.

The Company has complied in all material aspects with the principles and provisions of the 2018 Code. When there are variations from the provisions under the 2018 Code, we have provided our explanations in relation to the Company's practices as to how our practices are consistent with the aim and philosophy of the principles in question, when appropriate.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Role of the Board of Directors (the "Board")

The Board has the dual role of setting strategic direction, and of setting the company's approach to governance. This includes establishing an appropriate culture, values and ethical standards of conduct at all levels of the Company. The role of the Board is broader than that of providing oversight as a well-constituted Board would foster more complete discussions, leading to better decisions and enhanced business performance. The Board also sets the tone for the Group in respect of ethics, values and desired organisation culture, and ensure proper accountability within the Group. The Board is responsible for the overall corporate governance of the Company.

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. Through the Board's supervision of the management of the business and affairs of the Group, the Board is able to set the appropriate and desired organizational culture and ensures proper accountability within the Company. The Board is also responsible for providing 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 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.

The Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Directors are of the view that they have objectively discharged their duties and responsibilities at all times as fiduciaries in the interest of the Company for FY2021. Directors are entitled to request from Management and should be provided with additional information as needed to make informed decisions. The Directors further understand that they must avoid situations in which their own personal or business interests directly or indirectly conflict or potentially conflict, with the interest of the Group. Where a Director has a conflict or potential conflict of interest in relation to any matter, he will immediately declare his interest at the meeting of the Directors or send a written notice to the Chairman and/or Company Secretary, setting out the details of his interest and the conflict and recuse himself from any discussions on the matter and abstain from participating in any Board decision.

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;

- matters which require the Board's approval as specified under the Company's interested person transactions policy; and
- the appointment and removal of the company secretary.

The Board will oversee the Group's sustainability reporting framework by monitoring the environment, social and *g*overnance 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. Each Board Committee is formed by clear written terms of reference, setting out the composition, duties, authority and accountabilities of each committee, which have also have been detailed in this report on pages 37 to 52.

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 resolutions. The Board with the concurrence of the NC is of the view that the Directors have actively participated in Board and committee meetings, and that each Director has dedicated sufficient time and attention to the affairs of the Group for FY2021, regardless of their other board representations.

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

DIRECTORS	AGM		SGM		BOARD		AC		RC		NC	
	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended
Clement Yang Ker-Cheng	1	1	0	-	4	4	-	-	-	-	4	4
William Yang Weiyuan	1	1	0	-	4	4	-	-	-	-	4	4
Lim Tai Toon	1	1	0	-	4	4	4	4	4	4	4	4
Carol Yang Xiao-Qing	1	1	0	-	4	4	4	4	4	4	4	4
Dr Nieh Chien-Chung	1	1	0	-	4	4	4	4	4	4	4	4

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.

The NC ensures that new Directors are aware of their duties and obligations and is tasked with deliberating whether a Director is able to and has been adequately carrying out his/her duties as a Director. At the time of their 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 Board recognises that it is important that all Directors remain updated with the business and legal developments so as to be able to serve effectively on, and contribute to, the Board. All Directors have many years of corporate experience and are familiar with their duties and responsibilities as Directors (including their respective roles as executive, non-executive and independent directors). In addition, the Directors understand the Group's business and are provided with opportunities to develop and maintain their skills and knowledge as Directors at the expense of the Company, including visits to the Group's operational facilities and to meet with management in order to gain a better understanding of the Group's business operations.

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.

On 15 December 2021, the SGX-ST announced that all directors of listed issuers are to undergo a one-time training on sustainability from 1 January 2022. The Company has provided for the Directors to attend the Environmental, Social and Governance Essentials course conducted by the Singapore Institute of Directors, which shall be completed within the financial year commencing 1 January 2022.

Access to Information

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. The management 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.

All Directors have separate and independent access to the management, the Company Secretary and external advisers (where necessary) at all times, at the Company's expense. 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.

Board Composition and Balance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board consists of five (5) Directors, of whom three (3) are independent. The list of Directors is as follows:

Executive Directors

Clement Yang Ker-Cheng	(Chairman, Executive Director)
William Yang Weiyuan	(Deputy Chairman, Executive Director and CEO)

Independent Directors

Lim Tai Toon	(Lead Independent Director)
Carol Yang Xiao-Qing	(Independent Director)
Dr Nieh Chien-Chung	(Independent Director)

The size and composition of the Board and the Board committees are reviewed from time to time by the NC to ensure that they are of an appropriate size and comprise Directors who as a group provide the appropriate balance and mix of skills, knowledge, experience and other aspects of diversity such as gender and age so as to foster effective discussions and decision making. The NC is of the view that the current Board size of five (5) Directors, of whom three (3) 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.

Pursuant to provision 2.4 of the 2018 Code, the Board has also adopted the Board Diversity Policy. Under the Board Diversity Policy, the NC will, in reviewing the Board's composition, rotation and retirement of Directors and succession planning, consider a number of aspects, including but not limited to gender, age, nationalities, ethnicity, cultural background, educational background, experience, skills, knowledge, independence and length of service. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

Independence of Directors

The NC reviews the independence of each Director on an annual basis based on the 2018 Code's definition of what constitutes an independent director. Each Director is required to declare their relationships with the Company, its related corporations, its substantial shareholders or its officers (if any) which may affect his/her independence through the completion and submission of a 'Confirmation of Independence' form. Such relationships include business relationships which the Director, his/her immediate family member, or an organization in which the Director and/or his/her immediate family member is a director, substantial shareholder, partner (with 5% or more stake) or executive officer has with the Company or any of its related corporations and the director's direct association with a substantial shareholder of the company, in the current and immediate past financial year. The said form, which is drawn up based on the definitions and guidelines set forth in Principle 2 of the 2018 Code and the Guidebook for Audit Committees in Singapore (Second Edition) issued by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and the Singapore Exchange in August 2014, requires each Director to assess whether he/she considers himself/herself independent despite not having any relationships identified in the 2018 Code.

The NC is of the view that the three (3) Independent Directors (who represent more than half of the Board) are independent under Rule 406(3)(d)) of the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Rules of Catalist**"), and that 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.

Effective from 1 January 2022 and pursuant to Rule 406(3)(d)(iii) of the Rules of Catalist, a director will not be independent if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and whose continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders; and (b) all shareholders, excluding shareholders who also serve as the directors or the chief executive officer of the Company, and associates of such directors and chief executive officers.

In respect of Ms. Carol Yang Xiao-Qing and Mr Lim Tai Toon, who have served on the Board for more than nine years from the date of their first appointment on 1 May 2005 and 29 October 2010 respectively, the NC has reviewed based on, amongst others, their attendance and contributions at meetings of the Board and Board Committees and confirmed that Ms. Carol Yang Xiao-Qing and Mr Lim Tai Toon are independent. Taking into account the views of the NC, the Board concurs that Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon continue to demonstrate strong independence in character and judgment in the discharge of their responsibilities as the Directors of the Company. Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon have continued to express their individual viewpoints, debated issues and objectively scrutinised and challenged the management. Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon have sought clarification and amplification as they 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 and Mr Lim Tai Toon have, over time, developed significant insights into the Group's business and operations and provided valuable contributions to the Board through their integrity, objectivity and professionalism notwithstanding their years of service. Further, having gained in-depth understanding of the business and operating environment of the Group, Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon provide the Company with much needed experience and knowledge of the industry. Based on the declaration of independence from Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon, they have no association with the management that could compromise their independence. The NC and the Board have concluded that Ms. Carol Yang Xiao-Qing and Mr Lim Tai Toon continue to be considered as an Independent Director. Ms. Carol Yang Xiao-Qing and Mr Lim Tai Toon have abstained from participating in the deliberation and decision on their independence.

The Board, after taking into account the NC's views, is satisfied that Ms Carol Yang Xiao-Qing, Mr Lim Tai Toon and Dr Nieh Chien-Chung remain as Independent Directors as there are no relationships or circumstances which could interfere, or could reasonably be perceived to interfere with the exercise of independent business judgment of each Independent Director. The Board had also sought shareholders' approval at the last Annual General Meeting ("**AGM**") of the Company held on 28 April 2021, through the two-tier voting process described above, to allow Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon to continue as Independent Directors until the earlier of their retirement or resignation; or the conclusion of the third annual general meeting following such shareholders' approval.

Mr Lim Tai Toon is resident 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**") and/or the independent directors ("**IDs**") 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 and/or IDs 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 and/or IDs meet and discuss on the Group's affairs without the presence of the management where necessary, and the chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

Chairman and CEO

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Group's Chairman is Mr Clement Yang Ker-Cheng, who was also the CEO of the Company until 2 May 2018, and 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 of the Chairman, Mr. Clement Yang Ker-Cheng, was appointed as the CEO of the Company with effect from 2 May 2018 and subsequently as the Deputy Chairman on 26 February 2021 to comply with the requirement under Bye-Law 126 of the Company's Bye-Laws that a Deputy Chairman be appointed. Mr. William Yang Weiyuan is mainly responsible for the day-to-day operations of the Group.

Given the centrality of the Board to good corporate governance, it is fundamental that the Chairman sets the right tone. The Chairman, in consultation with Management, sets the agenda for Board meetings and ensures that meetings are held when necessary, and during such meetings encourages a full and frank exchange of views from all Directors so that debates benefit from the full diversity of views.

The CEO is responsible for the management of the overall business and development of the Group. The CEO together with senior Management execute plans which are in line with the strategic decisions and goals set out by the Board and ensures that the remaining Directors are kept updated and informed of the Group's business operations and financial position.

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 2018 Code.

To ensure an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision making, 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: The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.

The NC comprises the following five (5) members:
Carol Yang Xiao-Qing (Chairman)
Lim Tai Toon
Dr Nieh Chien-Chung
Clement Yang Ker-Cheng
William Yang Weiyuan

The existing NC comprises five (5) Directors, of which two (2) are Executive Directors and three (3) are Non-Executive Independent Directors. The Lead Independent Director is also a member of the NC. In addition, the NC is cognizant of and ensures that (i) each member of the NC abstains from voting on any resolutions if there is any conflict of interest and/or prior relationship (ii) rigorous interviews are conducted with incoming/re-appointed Directors to ensure they are aware of their obligations as a Director and/or and (iii) it progressively reviews the criteria for candidacy. In view of the above, the Board is of the view that there is a sufficiently formal and transparent process for the appointment and re-appointment of the Directors.

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, having regard to the circumstances set forth in the 2018 Code;
- 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.

In FY2021, the NC held four (4) meetings.

When deciding on the appointment of new Directors to the Board, the NC and the Board consider a variety of factors, including the core competencies, skills and experience that are required on the Board and Board Committees, diversity, independence, conflicts of interest and time commitments.

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 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.

In this respect, the NC has recommended that the following Directors, pursuant to the Company's Constitution, who are retiring and/or up for re-election at the forthcoming AGM, be re-elected as Directors:

- Carol Yang Xiao-Qing
- Dr Nieh Chien-Chung

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.

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 and Executive Director	19 November 1997	28 April 2021	None	None	• Universal Weavers Corporation · • Contex Corporation • Medtex Corporation · • Medtecs (Asia Pacific) Pte Ltd · • Medtecs (Far East) Ltd · • Medtecs (Taiwan) Corporation · • Medtecs Materials Technology Corporation · • Cooper Development Ltd · • Medtecs (Cambodia) Corporation	No
William Yang Weiyuan	Deputy Chairman, Executive Director and Chief Executive Officer	2 September 2013	28 April 2021	None	None	• Medtecs (Taiwan) Corporation • Medtecs MSEZ Corp., Ltd · • Cooper Development Ltd · • Hangzhou Jincheng Medical Supplies Manufacture Co., Ltd · • World Join International Ltd.	No
Carol Yang Xiao-Qing	Independent Director	1 May 2005	28 April 2021	None	None	Give2Asia	Retirement by rotation (Bye-Law 86)
Lim Tai Toon	Lead Independent Director	29 October 2010	28 April 2021	Medinex Ltd	None	• General Manager, SPHL PBSA (UK) • Food Studio Pvt Ltd (Sri Lanka) • Biblical Graduate School of Theology (Singapore)	No
Dr Nieh Chien-Chung	Independent Director	8 August 2019	19 June 2020	- MicroTips Technology Inc. - FullTech Fiber Glass Corp.	None	• GloLiv Asset Management Ltd • Tamkang University • National Taipei University	Retirement by rotation (Bye-Law 86)

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	Carol Yang Xiao-Qing	Dr Nieh Chien-Chung
Date Of Appointment	1 May 2005	8 August 2019
Date of last re-appointment (if applicable)	28 April 2021	19 June 2020
Age	67 years old	62 years old
Country Of Principal Residence	China	Taiwan
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After assessing Ms Carol Yang's contribution and performance, the NC has recommended that Ms Carol Yang be re-elected as Director of the Company.	After assessing Dr Nieh's contribution and performance, the NC has recommended that Dr Nieh be re-elected as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chairman of NC, Member of AC and RC respectively.	Chairman of RC, Member of AC and NC respectively.
Professional Qualifications	Bachelor of Arts in Journalism from Jinan University, People's Republic of China. Master of Science in Communications Management & Investor Relations from Simmons College in Massachusetts.	Rutgers University (The State University of New Jersey) - PhD in Economics - MA in Economics - MS in Industrial Engineering and Civil Engineering Baruch College – The City University of New York - MBA in Finance National Taiwan University - MA in National Development National Central University (Taiwan) - BS in Civil Engineering
Working experience and occupation(s) during the past 10 years	Galaxaco China Group LLC, Chief Executive Officer Give2Asia, Vice President	August 1996 to Present - Tamkang University, Professor August 2005 to Present - National Taipei University, Adjunct Professor
Shareholding interest in the listed issuer and its subsidiaries	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	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Name of person	Carol Yang Xiao-Qing	Dr Nieh Chien-Chung
Other Principal Commitments* including Directorships# * "Principal Commitments" has the same meaning as defined in the 2018 Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8) (for the past 5 years)	- Give2Asia	Professor, Finance, at Tamkang University Adjunct Professor, Finance, at National Taipei University.
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. (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
(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
(c) Whether there is any unsatisfied judgment against him?	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
(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
(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	No	No

Name of person	Carol Yang Xiao-Qing	Dr Nieh Chien-Chung
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?		
(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
(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
(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
(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
(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
(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
(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
(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
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange?	N.A.	N.A.

Name of person	Carol Yang Xiao-Qing	Dr Nieh Chien-Chung
If Yes, please provide details of prior experience.	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.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, each Board committee separately as well as the contribution by the Chairman and each individual Director to the Board with a view to enhancing effectiveness to promote 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 and of each Board committee separately.

The performance criteria for the evaluation includes an evaluation of the size and composition of the Board and the respective Board committees, the Board/committee/Directors' access to information, accountability, Board/committee processes, Board/committee performance in relation to discharging its principal responsibilities, communication with management and standards of conduct of the Directors thereto. 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.

The Board, with the concurrence of the NC, is of the view that the performance of the Board as a whole is satisfactory, the Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. No external facilitator was used in the evaluation process for the financial year under review.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC reviews and makes recommendations to the Board on a framework of remuneration as well as specific remuneration packages for each Director and KMP to and considers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, benefits-in-kind and termination terms, to ensure they are fair.

The RC comprises the following three (3) members, all of whom, including the RC Chairman are Independent Directors:

Dr Nieh Chien-Chung (Chairman) (Appointed on 8 August 2019)
Lim Tai Toon
Carol Yang Xiao-Qing

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 the 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.

There being no specific necessity, the RC did not seek the service of an external remuneration consultant in FY2021.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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.

Each of the two (2) Executive Directors has signed a service contract and the compensation framework for the KMP and the Executive Directors comprises monthly salaries, annual bonuses and allowances. Each Executive Director's annual bonus is determined with reference to the Company's performance. The Company has in place an employee share option scheme 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. 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.

Annual review of the remuneration of Executive Directors and KMP is also carried out by the RC to ensure that the remuneration of the Executive Directors and KMP is appropriate to attract, retain and motivate the directors to provide good stewardship of the Company and KMP to successfully manage the Company for the long term, and that such remuneration 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.

The Company has the 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 NEDs have no service contracts with the Company and their terms are specified in the Bye-Laws. NEDs are paid a basic fee for serving as a Director 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. The Board is of the view that the remuneration of the NEDs for FY2021 is appropriate to the level of contribution based on the factors above.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The breakdown of remuneration of the Directors, the top KMPs (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	Based/fixed salary [1] %	Variable or performance related income/bonus [2] %	Director's fee [3] %	Total %	Remuneration Bands S$'000
Executive Directors					
Clement Yang Ker-Cheng	7%	90%	3%	100%	S$500,000 and above
William Yang Weiyuan	15%	83%	2%	100%	S$500,000 and above
Independent Directors					
Lim Tai Toon	-	-	100%	100%	Below S$250,000
Carol Yang Xiao-Qing	-	-	100%	100%	Below S$250,000
Dr Nieh Chien-Chung	-	-	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 28 April 2021.

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

Names of key executives (who are not Directors)	Based/fixed salary [1] %	Variable or performance related income/bonus [2] %	Total %	Remuneration Bands S$'000
James Lin Yi-Ching[3]	100%	-	100%	Below S$250,000
Kao Vereak	100%	-	100%	Below S$250,000
Wilfrido Candelaria Rodriguez[4]	100%	-	100%	Below S$250,000
Thomas Tu	100%	-	100%	Below S$250,000
Francisco Ramon Jr.	100%	-	100%	Below S$250,000

(1) Base salary includes contractual bonus.

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

(3) As announced on 17 November 2021, James Lin was appointed as the chief financial officer of the Company with effect from 1 December 2021.

(4) As announced on 17 November 2021, Wilfrido Candelaria Rodriguez resigned as the chief financial officer of the Company with effect from 30 November 2021.

The 2018 Code requires companies to fully disclose the remuneration of each individual Director and the CEO on a named basis in exact quantum. In the event of non-disclosure, the Company is required to provide reasons for such non-disclosure and how the Company's practices confirm to the principle.

After much deliberation, the Board is of the view that full disclosure of the specific remuneration of each individual Director and the CEO is not in the best interests of the Company or its stakeholders. In arriving at this decision, the Board had taken into consideration, *inter alia*, the commercial sensitivity and confidential nature of remuneration matters, the relative size of the Group, the competitive business environment in which the Group operates in, and the negative impact such disclosure may have on the Group in attracting and retaining talent at the Board level on a long-term basis. The Board is of the view that the remuneration of the Non-Executive Directors and the Executive Directors (including the CEO), is in line with industry practice. As an alternative, the Company has disclosed the name and remuneration of each individual Director and the CEO within bands of S$250,000.

The aggregate of total remuneration paid to the top five KMP (who are not Directors or the CEO) in FY2021 was S$443,000.

There was no employee who is a substantial shareholder of the Company or an immediate family member of a Director or the CEO or a substantial shareholder and whose remuneration exceeded S$150,000 during FY2021.

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

Approval of Shareholders

Shareholders' approval was previously obtained for the ESOS. Directors' fees were also approved by shareholders at the AGM held on 28 April 2021. 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

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board, with the assistance from the AC, is responsible for the overall 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 for determining the nature and extent of the significant risks which the Company is willing to take in achieving strategic objectives and value creation.

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 2018 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. The AC, having reviewed the adequacy of the Group’s internal control systems, is satisfied that effective internal controls were put in place and supported by a sound internal audit process and is of the view that the Group’s internal audit function is independent, effective and adequately resourced.

Assurance from the CEO and the CFO

The Board has received written assurance from the CEO, CFO and key personnel who are responsible regarding the adequacy and effectiveness of the Company’s risk management and internal control systems that:

a. the financial records of the Group have been properly maintained and the financial statements for FY2021 give a true and fair view of the Group's operations and finances; and

b. the risk management and internal control systems in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

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 2021.

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 32 to the Financial Statements of this annual report.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC comprises the following three (3) members, all of whom are Independent Directors:-

Lim Tai Toon (Chairman)
Carol Yang Xiao-Qing
Dr Nieh Chien-Chung

All members of the AC have many years of experience in senior management positions in both financial and industrial sectors, and at least two members, namely Lim Tai Toon and Carol Yang Xiao-Qing have recent and relevant accounting or related financial management expertise or experience, and none of the members of the AC are former partners or directors of the Company's existing auditing firm or auditing corporation. 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.

The primary reporting line of the internal audit function is to the AC, which also oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group as well as determines the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has full access to the Company's documents, records, properties and personnel, including the AC.

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

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- reviews the half-yearly and annual financial statements and the auditors' report on the annual financial statements of the Group 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 (including the internal accounting controls) 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;
- reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- 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 or a possible impropriety on the financial statements, related compliance policies and programmes and any reports received from regulators;
- reviews the independence, effectiveness and adequacy of the internal audit function;
- 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;
- making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately follows up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns; and
- considers other matters as requested by the Board.

The Company has in place a whistle-blowing policy which sets out the procedures for employees of the Group to, in confidence, make a report to the Company on misconduct or wrongdoing relating to the Company and its officers. A whistle-blower may report his or her concerns to his or her immediate supervisor, the HR Supervisor or HR Manager or confidentially to the Company's Audit Committee through a designated email address. If the whistle-blower is not comfortable about writing in, he or she can telephone or meet the appropriate officer in confidence at a time and location to be determined together. Depending on the nature of the concern raised or information provided, the investigation conducted may involve, in order of succession, the HR Department, the Country Manager, the Executive Committee, the Audit Committee and the external auditors or internal auditor. The investigating officer(s) will communicate the findings of the investigation(s) to the Chairman or the Audit Committee for their necessary action. The Company ensures that the identity of the whistle-blower is kept confidential (unless the whistle-blower chooses to identify himself or herself) and all concerns raised and communications made by the whistleblower are considered highly confidential.

The Company is committed to ensuring protection of the whistle-blower against detrimental or unfair treatment. If an employee raises a genuine concern under the whistle-blowing policy, he or she will not be at risk of losing his or her job or suffering from retribution or harassment as a result. If the concern raised is not confirmed by the investigation, no action will be taken against the employee provided that he or she acts in good faith. The Audit Committee is responsible for overseeing the implementation of the whistle-blowing policy and its terms of reference include the oversight and monitoring of whistle-blowing.

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, details of which are set out in the Directors' Report.

Each member of the AC shall abstain from voting on any resolutions in respect of matters he/she is interested in.

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 AC confirms that it has undertaken a review of all non-audit services provided by the external auditors and is satisfied that such non-audit services would not, in the AC's opinion, affect the independence of the external auditors. 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 AC is satisfied that the Company has complied with the requirements of Rules 712 and 716 of the Rules of Catalist in relation to the appointment of SyCip Gorres Velayo & Co., Ernst & Young Taiwan and Ernst & Young LLP Singapore as its auditing firms. The AC has accordingly recommended to the Board the nomination of the external auditors, SyCip Gorres Velayo & Co., Ernst & Young Taiwan and Ernst & Young LLP Singapore, for reappointment at the forthcoming AGM. The Company will also be taking steps to comply with Rule 715 for the upcoming financial year and seeking shareholders' approval to appoint the same auditing firm based in Singapore to audit its accounts, and its Singapore-incorporated subsidiaries and significant associated companies.

Fees (including fees for non-audit services) paid to external auditors may be found in Note 24 of the financial statements in this annual report.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Shareholder rights and Shareholder meetings

General meetings (including AGMs) are important forums for dialogue and interaction with shareholders. All shareholders are treated fairly and equitably by the Company and all shareholders will receive the notice of the general meeting and the accompanying documents in order to enable them to exercise their rights at the relevant meeting. All shareholders will be informed in the relevant notice or accompanying documents the rules governing voting at such meeting.

Further, 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. All Board members had attended the general meeting via live webcast last year, and provided their inputs on the questions submitted by the shareholders in advance of the general meetings.

Under the Bye-Laws of the Company, shareholders can vote in person or by proxy through the appointment of not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders. There is no limit on the number of proxies that can be appointed by nominee companies. Voting in absentia such as voting via mail, electronic mail or facsimile at the general meetings is currently not supported.

Separate resolutions are proposed for substantially separate issues at the meeting, unless the issues are interdependent and linked so as to form one significant proposal, in which case the Company will explain the reasons for bundling the resolutions and disclose the material implications in the notice of the general meeting. Each item of special business included in the notice of the general meeting is accompanied, where appropriate, by an explanation for the proposed resolution. 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. These minutes are available to shareholders upon request, and such minutes which record substantial comments or queries from shareholders and responses from the Board and the management are released via SGXNET and will be published on the Company's corporate website as soon as practicable after such meetings and in any case, within one (1) month from the date of the general meeting.

In line with the continuing disclosure obligations of the Company pursuant to the Rules of 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 Board is of the view that the Company has been compliant with the continuing disclosure obligations under the Rules of Catalist in ensuring that price and/or trade sensitive information is publicly released on a timely basis, and financial results and annual reports are announced or issued within the period stipulated under the Rules of Catalist and applicable laws. 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 is committed to achieving sustainable income and growth to enhance long-term shareholder return. The Company does not have a fixed policy on the payment of dividends. 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. The Board has proposed a final dividend of US$0.0060 per share, to be approved by the shareholders at the forthcoming AGM.

Engagement with shareholders

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Apart from the SGXNET announcements released on the half and full year results and news releases and its annual report and minutes of its general meetings, the Company updates shareholders on its corporate developments and new initiatives through its corporate website at http://www.medtecs.com. The Company currently does not have an investor relations policy. However, the shareholders can contact the Company with questions via investor.relations@medtecs.com, which has been made available on the Company's corporate website.

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.

Engagement with stakeholders

The Company has identified material stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the success of the Group's business and operations. Such stakeholders include shareholders (including institutional and individual investors), customers, employees, government and policy-makers, local communities, suppliers, and financial institutions. The Company considers that addressing the feedback and needs of the material stakeholders is essential to the success of the Group's business as well as integral to achieving sustainable growth. For more on how the Company identifies material stakeholder groups, as well as the Company's strategy and key areas of focus in terms of stakeholder engagement, please refer to the Company's Sustainability Report for FY2021 which will be issued on or before 31 May 2022. The Company engages its stakeholders through various channels to ensure that the best business interests of the Group are balanced against the needs and interests of its stakeholders.

The Group engages with their different stakeholders through their website at http://www.medtecs.com. (which provides for the various communication channels to the Company and its subsidiaries), at the Company's annual general meeting, through corporate publications and announcements, trade shows, charities and donations among others. Detailed explanation on this engagement process will be provided in the Sustainability Report to be issued by 31 May 2022.

(E) MATERIAL CONTRACTS

Save as disclosed in the section entitled "Interested Person Transactions" in this annual report, 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 FY2021 or if not subsisting, entered into since the end of the previous financial year ended 31 December 2020.

(F) DEALING IN 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 based on short-term considerations. The Company provides the window periods for dealing in the Company's securities and issues reminders that the law on insider trading is applicable at all times.

The Board confirms that for FY2021, the Company has complied with Rule 1204(19) of the Rules of Catalist on dealings in 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 FY2021. The amount of fees paid to Rajah & Tann Singapore LLP, an affiliate of R & T Corporate Services Pte. Ltd., for work done in FY2021, was approximately S$71,514.

(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

DESCRIPTION	LOCATION	AREA (in sq m)	TENURE OF LEASE (yrs)
Land (1)	Srok Kampong Siam Kampong Cham Province, Cambodia	183,267	70 years
Factory Building	Srok Kampong Siam Kampong Cham Province, Cambodia	40,064	70 years
Land (1)	Manhattan Special Economic Zone, Corner Public Road, Thanh Village, Sangkat, Bavet City, Svay Reang Province, Kingdom of Cambodia	75,000	10 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 Toul Kork, Phnom Penh, Cambodia	960	2 years
Industrial Lot	7th Street, Phase II Mariveles Bataan, Philippines	17,856	25 years
Industrial Lot (2)	SBMA, Olongapo City, Bataan, Philippines	13,124	24 years
Industrial Lot	7th Street, Phase II Mariveles Bataan, Philippines	2,756	50 years
Industrial Lot	7th Street, Phase II Mariveles Bataan, Philippines	4,248	50 years
Industrial Lot	7th Street, Phase I Mariveles Bataan, Philippines	2,980	5 years
Industrial Lot	7th Street, Phase II Mariveles Bataan, Philippines	5,000	50 years
Office Space	22/F World Center Building, #330 Sen. Gil Puyat Avenue Bel-air, Makati City, Philippines	742	3 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 (1)	202 Zhangshan Road, Renhe Town, Yuhang District, Hangzhou, China	15,333	50 years

(1) The land properties are all held for manufacturing purposes and are 100% owned by the Group.

(2) This property is held for investment purposes. The property has been revalued as of valuation date, 5 March 2021, and the value amounts to an aggregate of US$4.3 million. The aggregated value of these properties do not represent more than 15% of the consolidated net tangible assets of the Group or contribute to more than 15% of the consolidated pre-tax operating profit of the Group. Further information related to the investment property is disclosed in Note 6 of the financial statements of this FY2021 annual report.

MEDTECS INTERNATIONAL CORPORATION LIMITED

STATISTICS OF SHAREHOLDINGS

AS AT 30 MARCH 2022

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:	4,500,000
Subsidiary holdings:	Nil

Distributions of Shareholdings

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	9	0.11	341	0.00
100 - 1,000	543	6.68	337,892	0.06
1,001 - 10,000	4,579	56,32	19,661,181	3.61
10,001 - 1,000,000	2976	36,60	147,386,500	27.05
1,000,001 AND ABOVE	24	0.29	377,525,326	69.28
TOTAL	8,131	100.00	544,911,240	100.00

Shareholdings of Directors

AS AT 30 MARCH 2022

	Direct Interest	%	Deemed Interest	%
Clement Yang Ker-Cheng[(a)]	24,673,285	4.53	33,075,198	6.07
William Yang Weiyuan [(b)]	-	-	3,000,000	0.55
Lim Tai Toon [(c)]	-	-	20,000	0.004

Note:

(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) William Yang Weiyuan is deemed to be interested in 3,000,000 shares acquired through his sub-brokerage account maintained with a Taiwan brokerage house.

(c) Lim Tai Toon is deemed to be interested in 20,000 shares held by his wife, Mdm Wong Lai Kwan.

As at 30 March 2022, based on the Register of Substantial Shareholders, there are no Substantial Shareholders other than Directors who are also Substantial Shareholders as set out above.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

As at 30 March 2022, approximately 88.85% of the total number of issued shares in the capital of the Company (excluding any treasury shares and subsidiary holdings as well as the TDRs) are held in the hand of the public as defined in the Rules of Catalist. Accordingly, the Company has complied with Rule 723 of the Rules of Catalist.

Twenty Largest Shareholders

AS AT 30 MARCH 2022

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	217,617,850	39.94
2	RAFFLES NOMINEES (PTE.) LIMITED	37,873,034	6.95
3	YANG CLEMENT K C	24,673,285	4.53
4	MAYBANK SECURITIES PTE. LTD.	20,444,677	3.75
5	SOUTH WORLD INVESTMENTS LIMITED	18,506,621	3.40
6	DBS NOMINEES (PRIVATE) LIMITED	12,832,300	2.35
7	IFAST FINANCIAL PTE. LTD.	10,751,900	1.97
8	PHILLIP SECURITIES PTE LTD	6,780,300	1.24
9	HSBC (SINGAPORE) NOMINEES PTE LTD	3,082,800	0.57
10	OCBC SECURITIES PRIVATE LIMITED	3,059,800	0.56
11	TAN JIN SIANG	2,700,000	0.50
12	TIGER BROKERS (SINGAPORE) PTE. LTD.	2,616,800	0.48
13	KGI SECURITIES (SINGAPORE) PTE. LTD.	2,370,300	0.43
14	UOB KAY HIAN PRIVATE LIMITED	2,280,600	0.42
15	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,529,345	0.28
16	LIM HUI MEI OR EDWIN GOMEZ	1,400,000	0.26
17	ONG PENG KOON GILBERT	1,300,000	0.24
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,232,600	0.23
19	TAN CHIN HUA (CHEN ZHENHE)	1,152,100	0.21
20	DBSN SERVICES PTE. LTD.	1,110,600	0.20
	TOTAL	**373,314,912**	**68.51**

The Group's 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 30 March 2022, the total number of TDRs issued by the Company is 205,531,500, representing approximately 37.72% of the total number of shares in the capital of the Company.

Interested Person Transactions

No general mandate has been obtained for interested person transaction pursuant to Rule 920(1) of the Rules of Catalist. The aggregate value of interested person transactions carried out during FY2021 are as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Rules of Catalist) (S$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Rules of Catalist (excluding transactions less than $100,000) (S$'000)
Manhattan International Corp.	Mr Clement Yang, the Chairman and an Executive Director of the Company, is the chairman and sole director of the interested person	US$3,388,800	N.A.

As announced by the Company on 22 November 2021, a subsidiary of the Group, Resilient Medical Pte. Ltd. ("**Resilient Medical**"), had entered into a lease agreement dated 1 July 2021 with Manhattan International Corp. ("**MIC**") to lease a piece of land for the development of a manufacturing facility for disposable nitrile gloves in Svay Rieng Province, Cambodia, for a period of 10 years with an option to extend the lease for a further term of 10 years on the same terms and conditions at an annual rent of U$450,000. Resilient Medical will also pay to MIC a one-off Construction Service Charge of US$300,000 for the construction of the glove manufacturing facility. For more information, please refer to the announcement released on 22 November 2021 via SGXNET and the Company's website.

The amount at risk to the Company of US$3,388,800, which was computed by multiplying US$4,800,000 (being the sum of the total rental of US$4,500,000 payable by Resilient Medical for the entire duration of the aforesaid lease agreement and the aforesaid US$300,000 Construction Service Charge) by the Company's 70.6% effective interest in Resilient Medical as at 31 December

2021 (please refer to the Company's announcement dated 1 March 2022), represented approximately 1.8% of the audited consolidated net tangible assets of the Group for the financial year ended 31 December 2020.

The Audit Committee and the Board have reviewed the interested person transactions above and are of the opinion that the transaction was carried out on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

Notice of Annual General Meeting

MEDTECS INTERNATIONAL CORPORATION LIMITED
(Incorporated in Bermuda)

NOTICE OF ANNUAL GENERAL MEETING

Due to the COVID-19-related control and safe distancing measures put in place in Singapore, members of the Company will not be able to attend the AGM in person. Please refer to the Notes to this Notice of AGM for further details.

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Medtecs International Corporation Limited (the "**Company**") will be held at Seletar Room, Holiday Inn Atrium, 317 Outram Road, Singapore 169075 on Friday, 29 April 2022 at 3.30 p.m. to consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions 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 2021 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Ms Carol Yang Xiao-Qing, a Director retiring from office by rotation pursuant to Bye-Law 86 of the Company's Bye-Laws and being eligible for re-election. [See Explanatory Note (i)] **(Resolution 2)**

3. To re-elect Dr Nieh Chien-Chung, a Director retiring from office by rotation pursuant to Bye-Law 86 of the Company's Bye-Laws and being eligible for re-election. [See Explanatory Note (ii)] **(Resolution 3)**

4. To approve the payment of Directors' fees of S$284,000 for the financial year ending 31 December 2022, to be paid quarterly in arrears. (2021: S$284,000) **(Resolution 4)**

5. To declare a Tax Exempt One-Tier Final Dividend of US$0.0060 per ordinary share for the financial year ended 31 December 2021. **(Resolution 5)**

6. To re-appoint Messrs SyCipGorresVelayo & Co. as the Company's Auditors and to authorise the Directors of the Company 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:

SHARE ISSUE MANDATE

8. "That pursuant to Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company to:

(ii) allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise (including shares as may be required to be issued pursuant to any Instrument (as defined below) made or granted by the Directors while this Resolutions is in force notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time of issue of such shares); and/or

(iii) make or grant offers, agreements or options or otherwise issue convertible securities (collectively, "**Instruments**") 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,

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 such authority) does not exceed one hundred per cent. (100%) of the total number of issued shares excluding subsidiary holdings (as defined in the Catalist Rules) 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 such authority) does not exceed fifty per cent. (50%) of the total number of issued shares excluding subsidiary holdings (as defined in the Catalist Rules) 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 Catalist Rules) 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 provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

provided that adjustments in accordance with sub-paragraphs (1) and (2) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

c. in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited ("**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 by law or by the Bye-Laws of the Company to be held, whichever is the earlier, except that the Directors of the Company 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 the authority conferred by this Resolution may have ceased to be in force at the time of issue of such shares." [See Explanatory Note (iii)] **(Resolution 7)**

AUTHORITY TO OFFER AND GRANT AWARDS AND ALLOT AND ISSUE SHARES UNDER THE MEDTECS SHARE OPTION SCHEME

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 Catalist Rules) and treasury shares of the Company from time to time."
[See Explanatory Note (iv)] **(Resolution 8)**

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

10. That:

(a) for the purposes of the Companies Act 1981 of Bermuda ("**Bermuda Companies Act**") and otherwise in accordance with the rules and regulations of the SGX-ST, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases through the SGX-ST's trading system, or as the case may be, on any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose ("**Market Purchases**"); and/or

(ii) off-market purchases in accordance with an equal access scheme as defined in Section 76C of the Singapore Companies Act 1967 of Singapore ("**Off-Market Purchases**"),

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate to purchase and/or acquire Shares may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held (whereupon it will lapse, unless renewed at such AGM);

(ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Company at a general meeting (if so varied or revoked prior to the next AGM); or

(iii) the date on which the purchases and/or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; and

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. [See Explanatory Note (v)] (**Resolution 9**)

In this Resolution:

"**Average Closing Price**" means:

(i) in the case of a Market Purchase, the average of the Closing Market Prices (as defined below) of a Share over the last five Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company; or

(ii) in the case of an Off-Market Purchase, the average of the Closing Market Prices (as defined below) of a Share over the last five Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the making of the offer pursuant to the Off-Market Purchase,

and deemed to be adjusted, in accordance with the Catalist Rules, for any corporate action that occurs during such five Market Days period and the day of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase;

"**Closing Market Price**" means the last dealt price for a Share transacted through the SGX-ST's trading system as shown in any publication of the SGX-ST or other sources;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

"**Maximum Percentage**" means that number of issued Shares representing 10.0% of the issued Shares as at the date of the passing of this Resolution, unless the Company has, at any time during the Relevant Period, effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Bermuda Companies Act, in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares as altered by the capital reduction. Any Shares which are held as treasury shares and any subsidiary holdings will be disregarded for purposes of computing the 10.0% limit;

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding related or ancillary expenses in respect of the purchase or acquisition such as brokerage, commission, applicable goods and services tax, stamp duties and clearance fees and other related expenses (where applicable)) to be paid for a Share will be determined by the Directors, provided that such purchase price must not exceed:

(i) in the case of a Market Purchase, 105.0% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120.0% of the Average Closing Price of the Shares; and

"**Relevant Period**" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution.

By Order of the Board

Abdul Jabbar Bin Karam Din
Company Secretary

Singapore, 14 April 2022

Explanatory Notes:

(i) Ms Carol Yang Xiao-Qing, upon re-election as a Director of the Company, will remain as an Independent Director, the Chairman of the Nominating Committee and a member of both the Audit Committee and the Remuneration Committee of the Company. The profile of Ms Carol Yang Xiao-Qing can be found under the sections entitled "Board of Directors" and "Additional Information on Directors Seeking Re-election" in the Annual Report for the financial year ended 31 December 2021 ("**Annual Report 2021**"). She will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

(ii) Dr Nieh Chien-Chung, upon re-election as a Director of the Company, will remain as an Independent Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee of the Company. The profile of Dr Nieh Chien-Chung can be found under the sections entitled "Board of Directors" and "Additional Information on Directors Seeking Re-election" in the Annual Report 2021. He will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

(iii) Ordinary Resolution 7 proposed in item 8 above, if passed, is to authorise 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 Catalist Rules) and treasury shares of the Company will be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Catalist Rules) 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 provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or subdivision of shares. The adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of Resolution 7.

(iv) 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.

(v) Ordinary Resolution 9 proposed in item 10 above, if passed, is to renew the Share Purchase Mandate which was approved by shareholders on 18 December 2020. Please refer to the Appendix to this Notice of Annual General Meeting for more details.

Notes:

1. In respect of the AGM of the Company to be held on Friday, 29 April 2022 at 3.30 p.m. (Singapore time) at Seletar Room, Holiday Inn Atrium, 317 Outram Rd, Singapore 169075 (and any adjournment thereof), notwithstanding the place in which the AGM is to be physically held, other than in respect of the Chairman, Directors and/or representatives of the Company present at such location, the AGM may be attended via electronic means pursuant to the Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period and checklist jointly issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and Singapore Exchange Regulation on 13 April 2020 and last updated on 4 February 2022, which is based on the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**COVID-19 Order**"). Printed copies of the Depositor Proxy Form will be sent to Depositors, but **printed copies of this Notice of AGM and the Shareholder Proxy Form will not be sent to members**. Instead, this Notice of AGM and the Shareholder Proxy Form, along with the CDP and/or Depositor Proxy Form(s), will be sent to members by electronic means via publication on the Company's website at URL http://www.medtecs.com/investor-relations/AGM and the SGXNet.

2. The proceedings of the AGM will be broadcast "live" through an audio-and-video webcast and an audio-only feed. Members and investors holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore) ("**Investors**") (including Investors holding shares through the Supplementary Retirement Scheme ("**SRS**") ("**SRS** investors") who wish to follow the proceedings through a "live" webcast via their mobile phones, tablets or computers or listen to the proceedings through a "live" audio feed via telephone must pre-register at http://smartagm.sg/MedtecsAGM2022 no later than 3.30 p.m. on 27 April 2022 ("**Registration Cut-Off Time**"). Following verification, an email containing instructions on how to access the "live" webcast and audio feed of the proceedings of the AGM will be sent to authenticated members and SRS investors by 28 April 2022. Members and SRS investors who do not receive any email by 3.30 p.m. on 28 April 2022, but have registered by the Registration Cut-Off Time, should contact the Company at bcasmeetings@boardroomlimited.com.

3. **Due to the various control and safe distancing measures put in place in Singapore to prevent the spread of COVID-19, all members (including SRS investors) will not be able to attend the AGM in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must submit his/her/its Shareholder Proxy Form appointing the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The accompanying Shareholder Proxy Form will be released together with this Notice and may be accessed at the Company's website at the URL http://www.medtecs.com/investor-relations/AGM and on SGXNET.

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Shareholder Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. The Shareholder Proxy Form is not valid for use by Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify his/her voting instructions. A SRS investor who wishes to vote should approach his/her SRS Operator at least 7 working days before the date of the AGM to submit his/her voting instructions. This is so as to allow sufficient time for the respective relevant intermediaries to in turn submit a Depositor Proxy Form to appoint the Chairman to vote on their behalf by 3.30 p.m. on 27 April 2022.

6. **The Proxy Forms must be submitted to the Company by post and lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 by no later than 3.30 p.m. on 27 April 2022, being not less than 48 hours before the time fixed for the AGM.**

   A member who wishes to submit the Shareholder Proxy Form must first download, complete and sign the Shareholder Proxy Form, before submitting it by post to the address provided above.

7. In the case of Depositors whose shares are entered against their names in the Depository Register, the Company may reject any Depositor Proxy Form lodged if such Depositor are not shown to have Shares entered against their names in the Depository Register (as defined in Part 3AA of the Securities

and Futures Act 2001), as at 72 hours before the time appointed for holding this AGM as certified by The Central Depository (Pte) Limited to the Company.

8. All documents (including the Annual Report 2021, the Appendix to this Notice of AGM, this Notice of AGM and the Proxy Form(s)) or information relating to the AGM have been or will be published on the SGXNET and/or the Company's website at the URL http://www.medtecs.com/investor-relations/AGM Printed copies of all documents, save for the Depositor Proxy Form which will be sent to Depositors, will not be despatched to any members and Investors.

9. Members will not be able to ask questions during the live audio-visual webcast or audio-only stream of the AGM. Members who wish to ask questions relating to the resolutions to be tabled at the AGM must complete and submit the questions form for the AGM through the e-AGM Webcast Registration by clicking on the URL http://smartagm.sg/MedtecsAGM2022 **by no later than 5.00 p.m. Singapore time on 21 April 2022.**

10. The Management and the Board of Directors of the Company will address all substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations by publishing its responses to such questions, if any, on the Company's corporate website at the URL http://www.medtecs.com/investor-relations/AGM and on SGXNET at least 48 hours prior to the closing date and time for the lodgement of the Proxy Forms ("**Responses to Q&A**").

    Should there be subsequent clarification sought, or follow-up questions after the deadline of the submission of questions, the Company endeavours to address any (i) subsequent clarifications sought, (ii) follow-up questions or (iii) subsequent substantial and relevant questions which are received after it has published its Responses to Q&A prior to the AGM through publication on SGXNET, or at the AGM during the "live" webcast.

11. A Depositor (who is not a natural person) whose name appears in the Depository Register and who wishes to vote at the AGM, should complete the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate and Advisory Services Pte Ltd, at **1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 by 3.30 p.m on 27 April 2022**, being not less than forty-eight (48) hours before the time appointed for holding the AGM.

12. Shareholders should note that the Company may make further changes to its AGM arrangements (including but not limited to any applicable alternative arrangements as may be prescribed or permitted (as the case may be) under the COVID-19 (Temporary Measures) Act 2020 and any regulations promulgated thereunder (including the COVID-19 Order as well as other guidelines issued by the relevant authorities) as the COVID-19 situation evolves. Members and Investors are advised to keep abreast of any such changes as may be announced by the Company from time to time on SGXNET or on the Company's website at the URL http://www.medtecs.com/investor-relations/AGM.

Personal data privacy:

By submitting the proxy form appointing the Chairman to attend, speak and vote at the AGM and/or any adjournment thereof, a Depositor or a member of the Company consents to the collection, use and disclosure of the Depositor's or the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

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**").

This document has not been examined or approved by the Exchange. The Exchange assumes 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 Straits View, Marina One West Tower, #06-07 Singapore 018937.

Financial Statements

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2021
(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 2021.

1. Directors

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

Clement Yang Ker-Cheng (Chairman)
William Yang Weiyuan (Deputy Chairman and Chief Executive Officer)
Carol Yang Xiao-Qing
Lim Tai Toon
Nieh Chien-Chung

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"). And in accordance with Bye-Law 86 of the Company's Bye-Laws, Carol Yang Xiao-Qing and Nieh Chien-Chung 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.

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:

	Direct interest			Deemed interest		
Name of directors	At 1 January 2021	At 31 December 2021	At 21 January 2022	At 1 January 2021	At 31 December 2021	At 21 January 2022
Ordinary shares of the Company at $0.05 each						
Clement Yang Ker-Cheng	24,673,285	24,673,285	24,673,285	33,075,198	33,075,198	33,075,198
William Yang Weiyuan	–	–	–	1,500,000	3,000,000	3,000,000
Lim Tai Toon	–	–	–	20,000	20,000	20,000

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.

William Yang Weiyuan is deemed to be interested in 3,000,000 Shares acquired through his sub-brokerage account maintained with a Taiwan brokerage house.

Lim Tai Toon is deemed to be interested in 20,000 Shares held by his wife, Mdm. Wong Lai Kwan.

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

Save as disclosed in the section entitled "Interested Person Transactions" in this annual report, 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 committee in charge of administering the Scheme consists of:

Nieh Chien-Chung (Chairman)
Carol Yang Xiao-Qing
Lim Tai Toon

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

(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.

There are nil options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 31 December 2021.

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	Total granted	Total exercised	Total lapsed	Total not exercised as at 31 December 2021	Exercise price S$
	Number of shares under option						
Directors of the Company							
Clement Yang Ker-Cheng	13.09.2003 - 22.04.2014	–	2,260,800	–	2,260,800	–	–
Carol Yang Xiao-Qing	11.05.2012 - 10.05.2015	–	100,000	–	100,000	_	_
Other employees	06.07.2003 - 10.05.2020	–	25,392,200	1,875,000	23,517,200	–	–

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

Since the commencement of the Scheme till 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.

7. Audit Committee

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

- Reviews the audit plans of internal and external auditors of the Company and review 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;
- Reviews 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");
- Reviews the adequacy and effectiveness of the Group's material internal control systems, including financial, operational, compliance and information technology controls, and risk management via reviews carried out by the internal auditors;
- Meets 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;
- Reviews 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;
- Reviews the independence, effectiveness and adequacy of the internal audit function;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;

- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors and reviews the scope and results of the audit;
- Reports actions and minutes of meetings of the AC to the BOD with such recommendations as the AC considers appropriate; and
- Reviews 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. Fees (including fees for non-audit services) paid to external auditors may be found in Note 24 of the financial statements of the annual report. 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.

8. Auditor

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

Alvin M. Pinpin, appointed last 15 November 2020, the partner in charge of SyCip Gorres Velayo & Co. (a member firm of Ernst & Young Global Limited) has not been in charge for more than 5 consecutive years of audit of the Group.

The table below sets out the names of the auditing firms appointed for all the significant subsidiaries of the Group:

Name of significant subsidiary	Name of auditing firm appointed
Universal Weavers Corporation	SyCip Gorres Velayo & Co. (a Member Firm of Ernst & Young Global Limited)
Medtex Corporation	
Medtecs (Cambodia) Corporation Limited	
Medtecs (Taiwan) Corporation	Ernst & Young (Taiwan)

On behalf of the Board of Directors:

CLEMENT YANG KER-CHENG
Director

WILLIAM YANG WEIYUAN
Director

Makati City, Philippines
28 March 2022

Statement by Directors

We, Clement Yang Ker-Cheng and William Yang Weiyuan 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 2021 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

WILLIAM YANG WEIYUAN
Director

Makati City, Philippines
28 March 2022

Independent Auditor's Report

For the financial year ended 31 December 2021

To the Board of Directors of Medtecs International Corporation Limited

Opinion

We have audited the consolidated 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 2021, 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 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the 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 matter below, provide the basis for our audit opinion on the accompanying financial statements.

Assessment of inventory valuation

The Group has inventories amounting to USD49.7 million as of 31 December 2021 or about 23% of total assets of the Group. The Group is using the weighted average costing method for its inventories. The cost of finished goods and work-in-process includes direct materials, direct labour and a proportion of manufacturing overhead. The Group has several types of inventories and the manufacturing process includes multiple stages and assembly lines. The costing process includes judgment on the basis of allocation of common costs and estimate of percentage of completion of work-in-process. The inventories are valued at the lower of cost and net realizable value. The related allowance for inventory losses amounted to USD4.2 million as of 31 December 2021. Judgment is required in assessing the recoverability of the inventories.

We consider this a key audit matter since inventory constitutes a significant part of the Group's assets and inventory valuation requires significant management judgment.

Disclosures relating to the accounting policy for inventories and the judgment in recognizing allowance for inventory losses can be found in Notes 2.4, 2.16 and 12 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 inventory costing, which includes the allocation of labour cost and manufacturing overhead. We also obtained and reviewed the management's basis of allocation of common costs and fixed overhead. On a sample basis, we verified the unit costs for the items selected by test-checking their build-up from unit material costs, unit labor costs and unit overhead rates. We obtained and reviewed management's assessment of the net realizable values of inventories. 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. We compared the net realizable value to the cost price of a sample of inventories and checked the associated provision to assess whether inventory provisions are adequate. Also, we attended the inventory counts of the major subsidiaries and observed management procedures in identifying obsolete inventories.

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 Alvin M. Pinpin.

SYCIP GORRES VELAYO & CO.
(A Member Firm of Ernst & Young Global Limited)
Certified Public Accountants

Makati City, Philippines
28 March 2022

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

BALANCE SHEETS

AS AT 31 DECEMBER 2021
(Amounts in United States dollars)

		Group		Company	
		2021	2020	2021	2020
	Note	$'000	$'000	$'000	$'000
Assets					
Non-current assets					
Property, plant and equipment	5	32,110	21,499	184	50
Investment property	6	2,728	2,839	–	–
Assets held for leasing	7	4,452	4,358	–	–
Right-of-use assets	28	8,386	5,573	380	77
Investment in subsidiaries	8	–	–	28,353	28,353
Goodwill	9	709	709	–	–
Deferred tax assets	24	33	33	12	12
Other non-current assets	11	3,787	4,617	113	297
		52,205	39,628	29,042	28,789
Current assets					
Inventories	12	49,660	53,678	2,390	611
Trade receivables	13	42,347	49,308	25,785	17,442
Other current assets	14	13,072	15,733	7,672	14,498
Due from subsidiaries (trade)	10	–	–	20,518	30,780
Fixed deposits	15	9,275	5,178	–	–
Cash and bank balances	15	49,015	82,161	15,711	20,008
		163,369	206,058	72,076	83,339
Total assets		215,574	245,686	101,118	112,128

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 2021
(Amounts in United States dollars)

		Group		Company	
		2021	2020	2021	2020
	Note	$'000	$'000	$'000	$'000
Equity and liabilities					
Current liabilities					
Trade payables and other current liabilities	16	8,753	10,357	1,621	3,286
Term loans (current portion)	17	–	1,250	–	1,250
Bank loans	17	9,306	31,603	–	–
Income tax payable		2,567	2,775	–	1
		20,626	45,985	1,621	4,537
Net current assets		142,743	160,073	70,455	78,802
Non-current liabilities					
Term loans - net of current portion	17	–	228	–	–
Lease liabilities - net of current portion	28	5,791	3,158	337	211
Deferred tax liabilities	24	147	181	–	–
Pension benefit obligation	20	1,075	1,221	240	276
Other noncurrent liabilities		28	423	–	–
		7,041	5,211	577	487
Total liabilities		27,667	51,196	2,198	5,024
Net assets		187,907	194,490	98,920	107,104

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 2021
(Amounts in United States dollars)

	Note	Group		Company	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Equity attributable to equity holders of the Company					
Share capital	3	27,471	27,471	27,471	27,471
Share premium		4,721	4,721	4,721	4,721
Revenue reserves	4	152,291	157,789	68,230	74,340
Remeasurement gains/(losses)	20	52	(142)	49	11
Foreign currency translation reserves	4	2,397	3,232	–	–
Other reserves	3	394	394	561	561
Less: Treasury shares	3	(2,112)	–	(2,112)	–
		185,214	193,465	98,920	107,104
Non-controlling interests	8	2,693	1,025	–	–
Total equity		187,907	194,490	98,920	107,104
Total equity and liabilities		215,574	245,686	101,118	112,128

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 2021
(Amounts in United States dollars)

		Group		Company	
		2021	2020	2021	2020
	Note	$'000	$'000	$'000	$'000
Revenue	18	144,155	400,327	69,000	324,639
Costs of sales and services		(102,121)	(228,707)	(41,745)	(232,106)
Gross profit		42,034	171,620	27,255	92,533
Other items of income					
Other income - net	19	1,764	379	1,233	–
Financial income	21	33	36	116	3
Other items of expense					
Distribution and selling expenses		(12,177)	(22,271)	(5,193)	(2,256)
Administrative expenses		(13,845)	(13,139)	(6,635)	(2,386)
Financial expenses	22	(891)	(1,535)	(46)	(514)
Other expense - net	19	–	–	–	(55)
Profit before tax	23	16,918	135,090	16,730	87,325
Income tax benefit (expense)	24	(408)	(3,374)	–	2
Net profit for the year		16,510	131,716	16,730	87,327
Attributable to:					
Equity holders of the Company		17,342	131,711	16,730	87,327
Non-controlling interests		(832)	5	–	–
Net profit for the year		16,510	131,716	16,730	87,327
Earnings per share attributable to the equity holders of the Company (cents per share)	25				
- basic		3.171	23.973		
- fully diluted		3.171	23.973		

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 2021
(Amounts in United States dollars)

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Net profit for the year	16,510	131,716	16,730	87,327
Other comprehensive income:				
Items that will be reclassified to profit or loss:				
Translation adjustments	(835)	3,001	–	–
Items that will not be reclassified to profit or loss:				
Remeasurement gains (losses)	194	(148)	38	(13)
Total comprehensive income	15,869	134,569	16,768	87,314
Attributable to:				
Equity holders of the Company	16,701	134,564	16,768	87,314
Non-controlling interests	(832)	5	–	–
Total comprehensive income	15,869	134,569	16,768	87,314

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

MEDTECS INTERNATIONAL CORPORATION LIMITED
(Incorporated in Bermuda)
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STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(Amounts in United States dollars)

2021 Group	Share capital (Note 3) $'000	Share premium $'000	Revenue reserves (Note 4) $'000	Remeasurement gains (losses) (Note 20) $'000	Foreign currency translation reserves (Note 4) $'000	Other reserves (Note 3) $'000	Treasury shares (Note 3) $'000	Non-controlling interests (Note 8) $'000	Total equity $'000
Opening balance at 1 January 2021	27,471	4,721	157,789	(142)	3,232	394	–	1,025	194,490
Net profit for the year	–	–	17,342	–	–	–	–	(832)	16,510
Other comprehensive income									
Foreign currency translation reserves	–	–	–	–	(835)	–	–	–	(835)
Remeasurement gain	–	–	–	194	–	–	–	–	194
Other comprehensive income/(loss) for the year	–	–	–	194	(835)	–	–	–	(641)
Total comprehensive income/(loss) for the year	–	–	17,342	194	(835)	–	–	(832)	15,869
Purchase of treasury shares (Note 3)	–	–	–	–	–	–	(2,112)	–	(2,112)
Minority investment	–	–	–	–	–	–	–	2,500	2,500
Cash dividends (Note 26)	–	–	(22,840)	–	–	–	–	–	(22,840)
Closing balance at 31 December 2021	27,471	4,721	152,291	52	2,397	394	(2,112)	2,693	187,907

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 2021
(Amounts in United States dollars)

2020 Group	Share capital (Note 3) $'000	Share premium $'000	Revenue reserves (Note 4) $'000	Remeasurement gains (losses) (Note 20) $'000	Foreign currency translation reserves (Note 4) $'000	Other reserves (Note 3) $'000	Non-controlling interests (Note 8) $'000	Total equity $'000
Opening balance at 1 January 2020	27,471	4,721	30,747	6	231	394	1,020	64,590
Net profit for the year	–	–	131,711	–	–	–	5	131,716
Other comprehensive income								
Foreign currency translation reserves	–	–	–	–	3,001	–	–	3,001
Remeasurement loss	–	–	–	(148)	–	–	–	(148)
Other comprehensive income/(loss) for the year	–	–	–	(148)	3,001	–	–	2,853
Total comprehensive income/(loss) for the year	–	–	131,711	(148)	3,001	–	5	134,569
Cash dividends (Note 26)	–	–	(4,669)	–	–	–	–	(4,669)
Closing balance at 31 December 2020	27,471	4,721	157,789	(142)	3,232	394	1,025	194,490

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 2021
(Amounts in United States dollars)

Company	Share capital (Note 3) $'000	Share premium $'000	Revenues reserves/ (Deficit) (Note 4) $'000	Remeasurement gains (losses) (Note 20) $'000	Other reserves (Note 3) $'000	Total Revenue reserves/ (Deficit) $'000	Treasury shares (Note 3) $'000	Total Equity $'000
Opening Balance at 1 January 2020	27,471	4,721	(8,318)	24	561	(7,733)	–	24,459
Net income for the year	–	–	87,327	–	–	87,327	–	87,327
Other comprehensive loss for the year	–	–	–	(13)	–	(13)	–	(13)
Total comprehensive income/(loss) for the year	–	–	87,327	(13)	–	87,314	–	87,314
Cash dividends (Note 26)	–	–	(4,669)	–	–	(4,669)	–	(4,669)
Balance at 31 December 2020 and 1 January 2021	27,471	4,721	74,340	11	561	74,912	–	107,104
Net income for the year	–	–	16,730	–	–	16,730	–	16,730
Other comprehensive income for the year	–	–	–	38	–	38	–	38
Total comprehensive income for the year	–	–	16,730	38	–	16,768	–	16,768
Purchase of treasury shares (Note 3)	–	–	–	–	–	–	(2,112)	(2,112)
Cash dividends (Note 26)	–	–	(22,840)	–	–	(22,840)	–	(22,840)
Closing balance at 31 December 2021	27,471	4,721	68,230	49	561	68,840	(2,112)	98,920

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 2021
(Amounts in United States dollars)

	Note	2021 $'000	2020 $'000
Operating activities			
Profit before tax		16,918	135,090
Adjustments for:			
Depreciation	5 and 6	3,678	3,960
Amortisation of:			
Assets held for leasing	7 and 23	2,136	3,576
Right-of-use assets	28	819	535
Provision for:			
Inventory losses	12	3,000	659
Expected credit losses	13	19	12
Interest expense on loans and lease liabilities	21 and 22	858	1,486
Net changes in pension benefits obligation		48	146
Other finance costs	22	33	49
Interest income	21	(33)	(36)
Gain on disposal of property, plant and equipment	19	(58)	(2)
Operating cash flows before changes in working capital		27,418	145,475
(Increase)/decrease in:			
Fixed deposits		(4,097)	(248)
Inventories		640	(15,802)
Trade receivables		6,647	(33,999)
Other current assets		2,661	305
Increase/(decrease) in:			
Trade payables and other current liabilities		(2,850)	7,167
Deferred lease income		(9)	(1)
Cash flows from operations		30,410	102,897
Interest received		33	36
Income taxes paid		(650)	(1,543)
Other finance cost paid		(33)	(49)
Net cash flows from operating activities		29,760	101,341

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 2021
(Amounts in United States dollars)

	Note	2021 $'000	2020 $'000
Investing activities			
Proceeds from disposal of:			
Property, plant and equipment		72	15
Assets held for leasing		50	91
Decrease in other non-current assets		830	2,111
Purchases of:			
Property, plant and equipment	5	(14,094)	(6,463)
Assets held for leasing	7	(2,280)	(1,938)
Net cash flows used in investing activities		(15,422)	(6,184)
Financing activities			
Payment of term loans		(1,478)	(4,779)
Interest paid		(408)	(1,179)
Payment of short-term bank loans		(22,297)	(4,676)
Cash dividends paid		(22,840)	(4,669)
Purchase of treasury shares	3	(2,112)	–
Minority investment		2,500	–
Principal payments of lease liabilities	28	(849)	(763)
Net cash flows used in financing activities		(47,484)	(16,066)
Net increase (decrease) in cash and bank balances		(33,146)	79,091
Cash and bank balances at 1 January		82,161	3,070
Cash and bank balances at 31 December	15	49,015	82,161

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

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

1. CORPORATE INFORMATION

Medtecs International Corporation Limited (the "Company" or the parent) 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).

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 Space 1 Building, 133 H.V. Dela Costa St., Makati City, Philippines. In 2022, the Company has changed its principal place of business to 22/F World Center Building, #330 Sen. Gil Puyat Avenue Bel-air, Makati City, Philippines.

The principal activities of the Company are manufacturing and selling of medical supplies and equipment and woven and knitted medical textile products. The principal activities of the subsidiaries are set out in Note 8 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 accounts, statements of comprehensive income and statements of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)s).

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.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

SFRS(I) effective for annual period beginning on or after 1 January 2021

The following standards and interpretations are effective for the annual period beginning on or after 1 January 2021:

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16 - *Interest Rate Benchmark Reform - Phase 2*
- Amendments to SFRS(I) 16 *Covid-19 Related Rent Concessions beyond 30 June 2021*

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

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:

Description	*Effective for annual periods beginning on or after*
Reference to Conceptual Framework – *Amendments to* SFRS(I) *3*	1 January 2022
Amendments to SFRS(I) 1-16 - *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
Onerous Contracts - Costs of Fulfilling a Contract - *Amendments to SFRS(I) 1- 37*	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-12 - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to SFRS(I) 1-8 - *Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 - *Disclosure of Accounting Policies*	1 January 2023
Amendment to SFRS(I) 1-1 - *Classification of Liabilities as Current or Non-current*	1 January 2024
SFRS(I) 17 *Insurance Contracts*	1 January 2025
Amendments to SFRS(I) 10 and SFRS(I) 1-28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

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.

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

a) Judgments made in applying accounting policies

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.

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)

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. The carrying amount of the Group's property, plant and equipment as at 31 December 2021 was $32.1 million (2020: $21.5 million) (see Note 5).

iii) Determination of lease term of contracts with extension options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the extension options in the lease term for the leases of certain land as it will entail additional cost for the Group to look for other locations for their operations. However, the extension option for lease of a remaining land is not included as part of the lease term because it is not reasonably certain for the Group to exercise the option as the extension requires a mutual agreement between the lessee and the lessor.

As at 31 December 2021, potential future (undiscounted) cash outflows of approximately $9.8 million and (2020: $9.1 million), which will mature within 26 to 51 years, have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

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 2021 was $2.7 million (2020: $2.8 million). More details are given in Note 6.

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 in its sales of goods and services. 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 is impaired at least on an annual basis. For property, plant and equipment, investment property and assets held for leasing, the Group assesses, at each reporting date, whether there is an indication that the asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates 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 cost of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired

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)

and is written down to its recoverable amount. In 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. The carrying amounts of the Group's goodwill, property, plant and equipment, investment property and assets held for leasing as at 31 December 2021 were $709,000 (2020: $709,000), $32.1 million (2020: $21.5 million), $2.7 million (2020: $2.8 million) and $4.5 million (2020: $4.4 million), respectively. No impairment charge was made against any of the assets in 2021 and 2020. The carrying amount of the Company's property, plant and equipment as at 31 December 2021 was $184,000 (2020: $50,000) (see Notes 5, 6, 7 and 9).

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 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.

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. The carrying amount of the Group's income tax payable as at 31 December 2021 was $2.6 million (2020: $2.8 million). The carrying amount of the Company's income tax payable as at 31 December 2021 was nil (2020: $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 2021 were $33,000 (2020: $33,000) and $147,000 (2020: $181,000), respectively. The carrying amount of the Company's recognised deferred tax assets as at 31 December 2021 were $12,000 (2020: $12,000). More details are given in Note 24.

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)

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 months 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.

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 13.

The carrying amount of trade receivables of the Group as at 31 December 2021 are $42.3 million (2020: $49.3 million). The Group recognised provision for ECL amounting to $19,000 in 2021 (2020: $12,000). The carrying amount of the Company's trade receivables as at 31 December 2021 were $25.8 million
(2020: $17.4 million). No provision for ECL was recognized for the Company's trade receivables.

v) Useful lives of property, plant and equipment, investment property and assets held for leasing

The Group estimates the useful lives of its property, plant and equipment, investment property and assets held for leasing 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, assets held for leasing and investment property 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.

In 2021 and 2020, the Group has changed the estimated useful lives for some property, plant and equipment and assets held for leasing resulting to an increase in depreciation and amortization of these assets by $0.8 million (2020: $1.4 million) and nil (2020: $1.0 million), respectively. Such changes are based on the management's assessment of expected utilisation of these assets. The carrying amount of the Group's property, plant and equipment, investment property and assets held for leasing as at 31 December 2021 were $32.1 million (2020: $21.5 million) and $2.7 million (2020: $2.8 million) and $4.5 million (2020: $4.4 million), respectively. The carrying amount of the Company's property, plant and equipment as at 31 December 2021 was $184,000 (2020: $50,000). More details are given in Notes 5, 6 and 7.

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)

vi) Inventories

The Group establishes a basis of the allocation of common costs and percentage of completion for each stage of production of inventories upon taking into consideration of the cost directly related to the production and market conditions existing during the period.

The Group recognises provision for inventory losses 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. In 2021, the Group recognized provision for inventory losses amounting to $3.0 million (2020: $659,000) and written off provision against inventory amounting to $1.8 million (2020: nil). The Group's allowance for inventory losses as at 31 December 2021 was $4.2 million (2020: $3.0 million). The Company's allowance for inventory losses as at 31 December 2021 was nil (2020: nil). As at 31 December 2021, the carrying amount of the Group's inventories, net of allowance for inventory losses, was $49.7 million (2020: $53.7 million). The carrying amount of the Company's inventories, net of allowance for inventory losses, as at 31 December 2021 was $2.4 million (2020: $611,000). More details are given in Note 12.

vii) Pension benefit 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 2021 was $1.1 million (2020: $1.2 million). The carrying amount of the Company's pension benefits obligation as at 31 December 2021 was $240,000 (2020: $276,000). More details are given in Note 20.

viii) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

2.4 Significant accounting estimates and judgments (continued)

b) Key sources of estimation uncertainty (continued)

ix) Estimating the incremental borrowing rate of the leases

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use (ROU) assets in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Group's stand-alone credit rating).

The Group's lease liabilities amounted to $6.8 million as at 31 December 2021 (2020: $3.5 million) (see Note 28).

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.

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.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

2.5 Subsidiaries and basis of consolidation (continued)

b) Basis of consolidation (continued)

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).

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.

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

c) Business combinations and goodwill (continued)

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 acquire 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$. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by the fluctuation of the US$.

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.

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

2.7 Functional and foreign currency (continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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, including construction in progress, are initially recorded at cost.

The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as the cost of maintenance and repairs, are normally charged against income as incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Subsequent to recognition, property, plant and equipment, except construction in progress, are measured at cost, less accumulated depreciation and any accumulated impairment losses. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

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

2.9 Property, plant and equipment (continued)

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:

	Years
Buildings and improvements	5 - 30
Machinery, equipment and others	10 - 15
Furniture, fixtures and equipment	3 - 10
Leasehold improvements	3 - 10
Transportation equipment	5 - 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.

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.

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

2.10 Investment properties (continued)

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 or commencement of an operating lease to another party.

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.

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

2.11 Intangible assets (continued)

Goodwill (continued)

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

2.12 Impairment of non-financial assets (continued)

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.

2.13 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

<u>Investments in debt instruments</u>

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

2.13 Financial instruments (continued)

a) Financial assets (continued)

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.

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.

<u>Investments in equity instruments</u>

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.

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.

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

2.13 Financial instruments (continued)

b) Financial liabilities (continued)

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.

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.

2.14 Impairment of financial assets

The Group recognises an allowance for 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 1 month past due.

The Group considers a financial asset in default when contractual payments are 11 months 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.

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

2.15 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.

2.16 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 costing method;
- Finished goods and work-in-progress: costs of direct materials on a weighted average costing method 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.

2.17 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.

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

2.18 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.

2.19 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.

2.20 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.

2.21 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.

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

2.21 Employee benefits (continued)

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 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.

d) 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.

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.

2.22 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and ROU assets representing the right to use the underlying leased assets.

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

2.22 Leases (continued)

(a) As lessee (continued)

Right-of-use assets

The Group recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are amortised on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets which ranges from 2 to 50 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.12.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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

2.22 Leases (continued)

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases on the Group's investment properties is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Deposits payables

Deposits payables are measured at amortized cost. Deposits payables refer to security deposits received from various tenants upon inception of the respective lease contracts on the Group's investment properties. At the termination of the lease contracts, the security deposits received by the Group are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. The related lease contracts usually have a term of more than twelve months.

2.23 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.

2.24 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.

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

2.24 Revenue recognition (continued)

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 any 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

Hospital services and management fees are 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.

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

2.24 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.

2.25 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.

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

2.25 Taxes (continued)

b) 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.

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

2.26 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.

2.27 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

2.28 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.

2.29 Dividends

Cash dividends will be recorded as a liability when the distribution is authorised, and the distribution is no longer at the discretion of the Company. The distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.30 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.

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

2.31 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.

2.32 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.

The Company's management determines the policies and procedures for recurring fair value measurement, such as investment properties.

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

2.32 Fair value measurement (continued)

External valuers are involved for valuation of investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyzes the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information the valuation computation to contracts and other relevant documents.

Management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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.

2.33 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	
	2021	2020
	$'000	$'000
Authorised		
- 1,000,000,000 ordinary shares of $0.05 each	50,000	50,000
Issued and paid up		
As at 1 January and 31 December		
- 549,411,240 ordinary shares of $0.05 each	27,471	27,471

3. SHARE CAPITAL (continued)

The Company has only one class of shares: ordinary shares of $0.05 each, with each share carrying one vote, without restriction. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and subsequently approved by the shareholders.

On 8 March 2021, the Company has repurchased 3 million shares for a total consideration amounting to approximately SGD2.9 million (equivalent to approximately $2.1 million).

The Company has repurchased additional 1.5 million shares for a total consideration amounting to SGD0.3 million (equivalent to approximately $0.2 million) on 28 March 2022.

In 2014, the Company shares were issued in consideration of the acquisition of the non-controlling interest of Medtecs (Taiwan) Corporation (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. REVENUE AND OTHER RESERVES

a) Revenue reserves

	Group	
	2021 $’000	2020 $’000
Revenue reserves are retained by:		
Company	68,230	74,340
Subsidiaries	84,061	83,449
	152,291	157,789

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	
	2021 $’000	2020 $’000
At 1 January	3,232	231
Net effect of exchange differences arising from translation of financial statements of foreign operations	(835)	3,001
At 31 December	2,397	3,232

5. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and improvements $'000	Machinery, equipment and others $'000	Furniture, fixtures and equipment $'000	Leasehold improvements $'000	Transportation equipment $'000	Construction in progress $'000	Total $'000
Cost:							
As at 1 January 2020	23,852	33,383	2,825	4,376	1,038	–	65,474
Additions	327	5,290	443	44	359	–	6,463
Disposals	–	(696)	–	–	(65)	–	(761)
Reclassification	–	250	(185)	–	–	–	65
Translation adjustments	125	40	17	(2)	5	–	185
As at 31 December 2020 and 1 January 2021	24,304	38,267	3,100	4,418	1,337	–	71,426
Additions	221	2,700	427	236	277	10,233	14,094
Disposals	–	(513)	(5)	–	(36)	–	(554)
Reclassification	502	(20)	(500)	18	–	–	–
Translation adjustments	212	46	(9)	18	20	–	287
As at 31 December 2021	25,239	40,480	3,013	4,690	1,598	10,233	85,253
Accumulated depreciation:							
As at 1 January 2020	11,841	27,769	2,078	3,977	639	–	46,304
Depreciation charge for the year	732	2,955	66	32	64	–	3,849
Disposals	–	(690)	–	–	(58)	–	(748)
Reclassification	–	2	(2)	–	–	–	–
Translation adjustments	218	237	50	1	16	–	522
As at 31 December 2020 and 1 January 2021	12,791	30,273	2,192	4,010	661	–	49,927
Depreciation charge for the year	1,279	1,770	284	38	196	–	3,567
Disposals	(25)	(478)	(5)	–	(32)	–	(540)
Translation adjustments	(41)	(39)	120	145	4	–	189
As at 31 December 2021	14,004	31,526	2,591	4,193	829	–	53,143
Net carrying amount:							
As at 31 December 2020	11,513	7,994	908	408	676	–	21,499
As at 31 December 2021	11,235	8,954	422	497	769	10,233	32,110

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Buildings and improvements $'000	Machinery, furniture, fixtures and equipment $'000	Leasehold improvements $'000	Transportation equipment $'000	Construction in progress $'000	Total $'000
Cost:						
As at 1 January 2020	2,457	3,457	10	50	–	5,974
Additions	–	27	–	–	–	27
As at 31 December 2020 and 1 January 2021	2,457	3,484	10	50	–	6,001
Additions	1	54	–	–	100	155
As at 31 December 2021	2,458	3,538	10	50	100	6,156
Accumulated depreciation:						
As at 1 January 2020	2,444	3,434	7	46	–	5,931
Depreciation charge for the year	6	10	–	4	–	20
As at 31 December 2020 and 1 January 2021	2,450	3,444	7	50	–	5,951
Depreciation charge for the year	4	15	2	–	–	21
As at 31 December 2021	2,454	3,459	9	50	–	5,972
Net carrying amount:						
As at 31 December 2020	7	40	3	–	–	50
As at 31 December 2021	4	79	1	–	100	184

As of 31 December 2021, there were property, plant and equipment with carrying amount of $5.5 million (2020: $7.8 million) that were mortgaged to secure various loans as mentioned in Note 17.

The Group continues to utilize fully depreciated property, plant and equipment with an aggregate acquisition cost amounting to $42.2 million and $26.3 million as of 31 December 2021 and 2020, respectively.

6. INVESTMENT PROPERTIES

	Group	
	2021	2020
	$'000	$'000
Cost:		
As at 1 January and 31 December	5,465	5,465
Accumulated depreciation:		
As at 1 January	2,626	2,515
Depreciation charge for the year	111	111
As at 31 December	2,737	2,626
Net carrying amount as at 31 December	2,728	2,839
Profit and loss account:		
Rental income (Note 28)	613	613
Direct operating expenses	(111)	(111)
	502	502

The Group and Company's investment properties includes building and building improvements that are mainly held to earn rentals. 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 income approach. Income approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The discount rate of 9.9% used under the income approach for valuing anticipated future benefits into current property value is computed under the "Built-Up" method. As December 31, 2021, fair market value of the investment properties, which is based on its highest and best use, amounted to $4.3 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.

7. ASSETS HELD FOR LEASING

	Group	
	2021	2020
	$'000	$'000
Cost:		
As at 1 January	7,828	10,014
Additions	2,280	1,938
Written off	(17)	(2,723)
Disposals	(439)	(1,401)
As at 31 December	9,652	7,828
Accumulated depreciation:		
As at 1 January	3,470	3,927
Amortisation charge for the year	2,136	3,576
Written off	(17)	(2,723)
Disposals	(389)	(1,310)
As at 31 December	5,200	3,470
Net carrying amount as at 31 December	4,452	4,358

In 2021, fully amortised linens held for leasing with cost amounting to $406,000 (2020: $4.0 million) was derecognised.

8. INVESTMENT IN SUBSIDIARIES

(a) Investment in subsidiaries comprise:

	Company	
	2021	2020
	$'000	$'000
Unquoted equity shares, at cost	28,369	24,899
Additional investment	–	3,470
Allowance for impairment on investment	(16)	(16)
	28,353	28,353

8. INVESTMENT IN SUBSIDIARIES (continued)

(b) The Company has 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	
			2021 %	2020 %	2021 $'000	2020 $'000
Held by the Company						
Universal Weavers Corporation (UWC)	Manufacturing and trading of woven and knitted fabrics	Philippines	100.0	100.0	5,863[d]	5,863[d]
Contex Corporation (CC)	Trading of hospital textiles and garments, pillow cases, bed sheets, gowns and apparel, and subleasing activities	Philippines	98.8[a]	98.8[a]	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[b]	100.0[b]	7,569[d]	7,569[d]
Medtex Corporation	Manufacturing and sale of elastic bandages, garters and other garment products	Philippines	100.0	100.0	474[d]	474[d]
Medtecs (Cambodia) Corporation Limited (MCCL)	Manufacturing of medical consumables and provision of procurement services	Cambodia	100.0	100.0	2,038[d]	2,038[d]
Medtecs (Asia Pacific) Pte. Ltd. (MAP)	Sale of woven and knitted fabrics and other made-up articles of textile products	Singapore	100.0	100.0	1,241[e]	1,241[e]
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
Medtecs MSEZ Corp., Ltd. (MSEZ)	Manufacturing of woven and non-woven fabric	Cambodia	100.0 [f]	100.0	3,370	3,370
Medtecs USA Corporation	Manufacturing and supplying of personal protective equipment and healthcare products	United States of America (USA)	100.0 [g]	100.0	100	100

8. 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	
			2021	2020	2021	2020
			%	%	$'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[(d)]	3,822[(d)]
<u>Held through subsidiaries</u>						
Hangzhou Jincheng Medical Supplies Manufacture Co., Ltd. (Jincheng)	Manufacturing and trading of woven and non-woven medical consumables	People's Republic of China	100.0	100.0	–	–
Zibo Liancheng Textiles Co., Ltd. (Liancheng)	Manufacturing and trading of woven fabrics	People's Republic of China	51.1[(c)]	51.1[(c)]	–	–
Zibo Liancheng Textiles & Garments Co. Ltd.	Manufacturing and trading of woven fabrics	People's Republic of China	100.0	100.0	–	–
Resilient Medical Pte. Ltd. (RMPL)	Manufacturing and supplying of personal protective equipment and healthcare products	Singapore	70.6%[(h)]	–	–	–
RMKH Glove Pte. Ltd. (RMKH Glove)	Manufacturing and supplying of personal protective equipment and healthcare products	Singapore	70.6%[(i)]	–	–	–
RMKH Glove (Cambodia) Co., Ltd. (RMKH Cambodia)	Manufacturing and sale of gloves	Cambodia	70.6%[(j)]	–	–	–
Hangzhou Jincheng Medical Technology Co., Ltd. (Jincheng Technology)	Sale of hygiene products, medical equipment and disposable medical supplies	People's Republic of China	100%[(k)]	–	–	–
					28,353	28,353

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

[(b)] 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.

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

[(d)] Includes equity-settled share options granted to employees of the subsidiaries which were regarded as capital contribution to the subsidiaries.

[(e)] Includes allowance for impairment of $16,000 as this subsidiary had been previously making losses.

[(f)] In 2020, the Board approved for the acquisition by the Company of all shares of MSEZ, previously MTC's wholly owned subsidiary, for a total investment cost of $3,370,000.

(g) In 2020, Medtecs USA Corporation has been incorporated with an investment cost of $100,000, representing 100% shareholdings of the subsidiary.

(h) MAP has incorporated RMPL on 18 January 2021. On the same announcement date, MAP has entered into a joint venture agreement with a third-party company to govern their relationship as shareholders over RMPL. As of 31 December 2021, MAP and the third-party company have a total subscribed and paid-up capital amounting to $6 million and $2.5 million, respectively, for the $8.5 million total issued capital of RMPL. This represents certain shares are held by non-controlling interests which are equivalent to 29.4% of the total paid-up capital.

(i) On 16 March 2021, RMPL had incorporated RMKH Glove as its wholly owned subsidiary with an issued and paid-up capital of $2 million.

(j) On 1 December 2021, RMKH Glove incorporated RMKH Cambodia as its wholly owned subsidiary with an issued and paid-up capital of $2.5 million.

(k) On 14 October 2021, Jincheng had incorporated Hangzhou Jincheng Medical Technology Co., Ltd. as its wholly owned subsidiary, with total paid-up capital of RMB500,000.

The following summarised financial information for the subsidiaries with non-controlling interests are prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	CC		**Lianheng**		**RMPL and Subsidiaries**		**Intra-group elimination**		**Total**	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-current assets	3,070	3,142	–	716	12,496	–				
Current assets	2,736	2,258	750	750	10,048	–				
Non-current liabilities	(145)	(150)	–	–	(2,642)	–				
Current liabilities	(69)	(70)	–	–	(11,736)	–				
Net assets	5,592	5,180	750	1,466	8,166	–				
Net assets attributable to NCI	67	62	367	717	2,401	–	(142)	246	2,693	1,025

9. GOODWILL

	Group	
	2021 $'000	2020 $'000
As at 1 January and 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:

	2021 $'000	2020 $'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 2021 for manufacturing segment is 12.22% (2020: 10.80%) and for the hospital services segment is 8.26% (2020: 6.47%) and the forecasted growth rates used to extrapolate cash flows beyond the five-year period in 2021 is 8% (2020: 10%) for manufacturing segment and 8% (2020: 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.

9. 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.

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.

10. DUE FROM/(TO) SUBSIDIARIES (TRADE)

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

11. OTHER NON-CURRENT ASSETS

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Financial investments	1,843	–	–	–
Deposits	610	2,641	93	26
Guarantee deposit	712	1,372	–	250
Others	622	604	20	21
	3,787	4,617	113	297

Financial investments include long term financial assets which are measured at fair value through other comprehensive income.

Deposits pertain to refundable deposits from lease and utility consumption agreements, which will be refunded back at the end of the contract period.

11. OTHER NON-CURRENT ASSETS (continued)

Guarantee deposit as of 31 December 2020 included the fixed deposit in Taiwan Cooperative Bank which serves as collateral to the loan from the same bank amounting to $5,000,000 with effective rate of 2.25% plus LIBOR rate per annum (Note 17). This also includes check payments amounting to $712,000 as of 31 December 2021 (2020: $1.1 million) to hospital clients in Taiwan as guarantee to perform services during the term of the service contracts. This will be refunded at the end of the term of the contract.Others include golf club membership and other long-term investments.

12. INVENTORIES

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
At cost:				
Goods-in-transit	1,129	477	–	–
Raw materials	26,578	17,038	12	12
Work-in-progress	5,434	5,566	12	11
Supplies and spare parts	2,679	5,377	1	1
Finished goods	18,001	28,223	2,365	587
	53,821	56,681	2,390	611
At net realizable value:				
Raw materials	25,150	16,248	–	–
Work-in-progress	5,512	4,961	–	–
Supplies and spare parts	2,613	5,311	–	–
Finished goods	15,256	26,681	–	–
	48,531	53,201	–	–
At lower of cost or net realizable value	49,660	53,678	2,390	611

The Group's inventories charged to operations in 2021 were $64.3 million (2020: $189.3 million) (Note 23). Inventories are stated at NRV after allowance for inventory obsolescence. Movements in the allowance for inventory losses during the year are as follows:

	2021 $'000	2020 $'000
As at 1 January	3,002	2,333
Charge for the year	3,000	659
Written off	(1,841)	–
Exchange differences	–	10
As at 31 December	4,161	3,002

13. TRADE RECEIVABLES

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade receivables				
Manufacturing	38,896	41,438	25,785	17,442
Hospital services	2,232	2,042	–	–
Trading	1,454	6,048	–	–
Less: Allowance for impairment	(235)	(220)	–	–
	42,347	49,308	25,785	17,442

Trade receivables are non-interest bearing and are generally on 1 to 4 months' term. They are recognised at their original invoice amounts, which represent fair values on initial recognition.

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

	Group	
	2021 $'000	2020 $'000
Philippine peso	576	1,277
Renminbi	263	119
New Taiwan dollar	1,930	1,547
Singapore dollar	–	16,643

Expected credit losses

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

	2021 $'000	2020 $'000
As at 1 January	220	229
Charge for the year	19	12
Written off	–	(27)
Exchange differences	(4)	6
As at 31 December	235	220

14. OTHER CURRENT ASSETS

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Advances to suppliers	6,145	10,050	2,881	11,807
Prepayments	1,420	331	762	25
Advances to employees	62	72	23	7
Statutory receivables	970	2,785	–	–
Other deposits	414	–	8	–
Sundry receivables	4,061	2,495	3,998	2,659
	13,072	15,733	7,672	14,498

Advances to suppliers are payments 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 deposits include a construction bond and refundable deposit expected to be collected within 12 months.

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

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Renminbi	274	157	–	–
Philippine peso	599	1,431	333	392
New Taiwan dollar	1,734	359	–	–
Singapore dollar	314	1,762	–	–

15. CASH AND BANK BALANCES AND FIXED DEPOSITS

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Cash and bank balances	49,015	82,161	15,711	20,008
Fixed deposits	9,275	5,178	–	–

Bank balances of the Group and of the Company earns interest at floating rates based on bank deposit rates.

Fixed deposits of the Group are pledged in connection with credit facilities granted by banks and short-term maturing loans. 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 PHP and earn annual interest ranging from 0.08% to 3.6% (2020: 0.9%).

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

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
New Taiwan dollar	3,351	6,314	–	–
Philippine peso	3,485	2,760	44	29
Renminbi	692	2,188	–	–
Singapore dollar	15,444	49,749	7,124	7,525
Euros	52	2,510	52	56
Riel	5	5	–	–

Interest income earned by the Group and Company from cash in bank and fixed deposits amounted to $33,000 (2020: $36,000) and $4,000 (2020: $3,000), respectively.

16. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade payables	4,572	6,003	600	104
Other creditors	1,427	1,997	857	3,072
Lease liabilities - current (Note 28)	988	386	139	–
Accrued operating expenses	1,766	1,900	25	39
Amounts due to directors (Note 27)	–	71	–	71
	8,753	10,357	1,621	3,286

16. TRADE PAYABLES AND OTHER CURRENT LIABILITIES (continued)

Trade payables are unsecured, non-interest bearing and are payable within one year. Amounts due to directors are non-trade related, unsecured, non-interest bearing and are payable on demand. Amounts due to other creditors include payable to government institutions and advances from customers.

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

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
New Taiwan dollar	2,341	5,768	–	–
Renminbi	1,034	677	–	–
Philippine peso	1,372	1,679	357	87

17. LOANS AND BORROWINGS

	Weighted average effective interest rate (per annum)	Maturity	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Current:						
Bank loans:						
- US$ loans						
Unsecured	8.40%	2021	–	500	–	–
- Renminbi (RMB) loans						
Secured (Note 5)	5.30%	2021	–	1,123	–	–
- New Taiwan Dollar (NTD) loans						
Unsecured	0.76% - 2.10%	2022	3,889	24,638	–	–
Secured (Note 5)	1.35%	2022	5,417	5,342	–	–
Total short-term bank loans			9,306	31,603		–
Term loans (current portion)			–	1,250	–	1,250

17. LOANS AND BORROWINGS (continued)

	Weighted average effective interest rate (p.a.)	Maturity	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Non-current:						
Term loans:						
- Long-term loan (secured) (Note 5)	2.50%	2019-2021	–	1,250	–	1,250
- Long-term loan (secured) (Note 5)	8.50%	2019-2021	–	228	–	–
Total long-term bank loans			–	1,478	–	1,250
Due within one year			–	(1,250)	–	(1,250)
Due after one year			–	228	–	–
Total loans and borrowings			9,306	33,081	–	1,250

The above borrowings are classified as follows:

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Secured	5,417	7,943	–	1,250
Unsecured	3,889	25,138	–	–
	9,306	33,081	–	1,250

Property, plant and equipment and guarantee deposit with carrying amounts of $5.5 million and $1.7 million, respectively (2020: $7.8 million and $250,000, respectively) (Notes 5 and 11) are used to secure the loans of the Group and Company amounting to $5.4 million (2020: $7.9 million) and nil (2020: $1.3 million), respectively.

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 improvements amounting to $1.1 million. Term loans from Taiwan Cooperative Bank are payable in quarterly installment starting 2020 with effective rate of 2.25% plus LIBOR rate per annum. This is guaranteed by a fixed deposit amounting to 20% of the loan (Notes 11 and 15). The term loans have been fully paid in 2021.

17. LOANS AND BORROWINGS (continued)

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

	31 December 2020	Net cash flows	Non-cash changes Others	31 December 2021
	$'000	$'000	$'000	$'000
Term loans				
- current	1,250	(1,250)	–	–
- noncurrent	228	(228)	–	–
Bank loans	31,603	(22,297)	–	9,306
Lease liabilities	3,544	(849)	4,084	6,779
Accrued interest	24	(408)	403	19
Total	36,649	(25,032)	4,456	16,104

	31 December 2019	Net cash flows	Non-cash changes Others	31 December 2020
	$'000	$'000	$'000	$'000
Term loans				
- current	387	(5,007)	5,870	1,250
- noncurrent	5,870	228	(5,870)	228
Bank loans	36,279	(4,676)	–	31,603
Lease liabilities	3,563	(763)	744	3,544
Accrued interest	–	(1,179)	1,203	24
Total	46,099	(11,397)	1,947	36,649

The 'others' column relates to reclassification of non-current portion of loans and borrowings due to passage of time and additions and adjustments to lease liabilities.

18. REVENUE

Disaggregation of revenue

Group	Manufacturing		Hospital Services		Distribution and Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets								
North America	37,642	49,219	–	–	–	–	37,642	49,219
Asia Pacific	50,233	174,954	14,971	14,668	11,247	27,842	76,451	217,464
Europe	30,062	118,929	–	–	–	–	30,062	118,929
Australia	–	14,715	–	–	–	–	–	14,715
	117,937	357,817	14,971	14,668	11,247	27,842	144,155	400,327
Revenue from contracts								
Revenue from manufacturing	117,937	357,817	–	–	–	–	117,973	357,817
Revenue from hospital services	–	–	14,971	14,668	–	–	14,971	14,668
Revenue from distribution and others	–	–	–	–	11,247	27,842	11,247	27,842
	117,937	357,817	14,971	14,668	11,247	27,842	144,155	400,327
Timing of transfer of goods or services								
At a point in time	117,937	357,817	–	–	10,634	27,229	128,572	385,046
Over time	–	–	14,971	14,668	613	613	15,583	15,281
	117,937	357,817	14,971	14,668	11,247	27,842	144,155	400,327

Contex Corporation earned rental revenue for the financial year ended 31 December 2021 amounting to $612,501 (2020: $612,501) included under Distribution and others segment (Note 28).

Revenues from major customer of the Group's Manufacturing segment represent approximately 30% for the year ended 31 December 2021 (2020: $25%) of the Group's total revenues.

18. REVENUE (continued)

Set out below is the disaggregation of the Company's revenue from contracts with customers:

Company	2021 $'000	2020 $'000
Primary geographical markets		
North America	17,714	15,959
Asia Pacific	51,286	224,190
Europe	–	69,775
Australia	–	14,715
	69,000	324,639
Revenue from contracts		
Revenue from distribution and others	69,000	324,639
Timing of transfer of goods or services		
At a point in time	69,000	324,639

19. OTHER INCOME (EXPENSE) - NET

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Foreign exchange gain (loss)	25	(42)	42	(98)
Gain on disposals	33	2	461	–
Scrap sales	698	233	–	–
Rent income	4	–	–	–
Other income from reversal of long-outstanding liabilities	704	–	704	–
Others	300	186	26	43
	1,764	379	1,233	(55)

Others include facilitation grant, administration fee and canteen rental and various miscellaneous and operating income generated, among others.

20. EMPLOYEE BENEFITS

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Personnel expenses				
Wages and salaries	32,565	36,493	3,529	1,340
Pension expense	136	130	33	31
	32,701	36,623	3,562	1,371

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Personnel expenses				
Cost of sales	24,851	32,408	67	108
General and administrative expenses	6,305	3,222	3,072	1,003
Distribution and selling expenses	1,545	993	423	260
	32,701	36,623	3,562	1,371

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 31 December 2021, prepared by an independent actuary, and is determined using the projected unit credit actuarial cost method in accordance with SFRS(I) 19.

20. EMPLOYEE BENEFITS (continued)

Pension plan (continued)

The components of the pension benefit expense recognised in the profit and loss accounts are as follows:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Current service cost	95	82	23	19
Interest cost	41	48	10	12
Net benefit expense	136	130	33	31

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 2021 were $1.1 million (2020: $1.2 million) and $240,000 (2020: $276,000), respectively. The management of the Group is still contemplating on a scheme to fund the pension plan.

Changes in the present value of the unfunded defined benefit obligations are as follows:

	Unfunded pension plan			
	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
As at 1 January	1,221	927	276	225
Current service cost	95	82	23	19
Interest cost	41	48	10	12
Benefits paid	(28)	(34)	(15)	(5)
Translation adjustment	(60)	50	(16)	12
Net remeasurement loss (gain)	(194)	148	(38)	13
As at 31 December	1,075	1,221	240	276

The principal actuarial assumptions as at 31 December used to determine pension benefits are as follows:

	Group		Company	
	2021	2020	2021	2020
Discount rate	4.91% - 4.98%	3.53% - 3.76%	4.98%	3.76%
Salary increase rate	5.0%	5.0%	5.0%	5.0%

20. EMPLOYEE BENEFITS (continued)

Pension plan (continued)

The history of experience adjustments are as follows:

	Group				
	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Unfunded defined benefit obligation	1,075	1,221	927	585	721
Change in assumption adjustments on plan liabilities	(221)	267	133	(150)	(61)
Experience adjustments on plan liabilities	27	(119)	110	(26)	(26)

	Company				
	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Unfunded defined benefit obligation	240	276	225	133	183
Change in assumption adjustments on plan liabilities	(45)	42	53	(33)	(11)
Experience adjustments on plan liabilities	7	(29)	17	(30)	(3)

A quantitative sensitivity analysis for significant assumption as at 31 December 2021 is as shown below:

Assumptions	Sensitivity Level	Impact on defined benefit obligation Increase (Decrease)
Discount rates	+0.5%	(67)
	-0.5%	74
Future salary increases	+2%	317
	-2%	(235)

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.

20. EMPLOYEE BENEFITS (continued)

Pension plan (continued)

The following payments are expected contributions to the defined benefit plan obligation in future years as at 31 December 2021:

	$'000
Within the next 12 months (next annual reporting period)	41
More than 1 year to 5 years	124
More than 5 years to 10 years	532
More than 10 years to 15 years	1,543
More than 15 years to 20 years	2,068
More than 20 years	4,507
	8,815

The average duration of the defined benefit plan obligation at the end of the reporting period is 19.0 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.

For the year ended 31 December 2021, the Group has pension benefit expense under defined contribution plan amounting to $136,000 (2020: $130,000).

21. FINANCIAL INCOME

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Interest income from:				
- fixed deposits and advances to related party	33	36	116	3

22. FINANCIAL EXPENSES

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Interest expense on:				
- Loans from third parties	398	1,203	10	475
- Lease liabilities (Note 28)	455	283	33	32
Other finance costs	38	49	3	7
Total financial expenses	891	1,535	46	514

Other finance costs include bank charges for loans, transfers of funds, payments and collections, and other related costs.

23. PROFIT BEFORE TAX

The following items have been included in arriving at profit/(loss) before tax:

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Cost of sales				
Cost of inventories (Note 12)	64,269	189,299	41,665	231,963
Personnel expenses (Note 20)				
- wages and salaries	24,734	32,308	42	96
- pension expense	117	100	25	12
Depreciation (Notes 5 and 6)	2,350	3,047	1	8
Amortisation:				
- assets held for leasing (Note 7)	2,136	3,576	–	–
- right-of-use assets (Note 28)	78	66	2	2
Operating lease expenses (Note 28)	401	325	–	–
Distribution and selling expenses				
Personnel expenses (Note 20)				
- wages and salaries	1,541	989	422	259
- pension expense	4	4	1	1
Freight-out expenses	6,457	14,274	2,738	–
Advertising expenses	1,444	45	1,444	40
Commission expenses	644	3,315	572	1,560
Professional fees	558	519	–	–

23. PROFIT BEFORE TAX (continued)

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Administrative expenses				
Personnel expenses (Note 20)				
- wages and salaries	6,290	3,196	3,065	985
- pension expense	15	26	7	18
Depreciation (Notes 5 and 6)	1,328	913	21	12
Amortisation of right-of-use assets (Note 28)	710	469	68	36
Operating lease expenses (Note 28)	139	21	44	20
Auditor remuneration:				
- auditor of the Company, audit services	228	251	66	71
- auditor of the Company, non-audit services	42	19	10	–
Documentation and handling costs	122	988	76	47
Professional fees	634	855	437	368
Financial expenses (Note 22)	891	1,535	46	514
Financial income (Note 21)	(33)	(36)	(117)	(3)
Other expense (income) - net (Note 19)	(1,764)	(379)	(1,233)	55

24. TAXATION

a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December are:

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Current	442	3,418	–	1
Deferred income tax:				
Origination and reversal of temporary differences	(34)	(44)	–	(3)
Income tax expense (benefit) recognised in the profit and loss accounts	408	3,374	–	(2)

24. TAXATION (continued)

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 2021 and 2020 are as follows:

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Profit before tax	16,918	135,090	16,728	87,325
Tax on relevant profits/(losses) at the domestic statutory rates applicable in the countries concerned	174	2,975	(33)	(26)
Adjustments:				
Non-deductible expenses	36	61	29	21
Movement of unrecognized deferred tax assets	147	455	–	–
Translation adjustment	52	(117)	–	–
Others	(1)	–	4	3
Income tax expense (benefit) recognised in profit and loss accounts	408	3,374	–	(2)

24. 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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Accruals	12	10	12	10
Translation adjustments	13	16	(2)	1
Excess of lease liability over right-of-use assets	8	7	2	1
	33	33	12	12

The Group's and the Company's deferred tax liabilities, which arise mostly from exchange differences, amounted to $147,000 (2020: $181,000) and nil (2020: nil), respectively.

No deferred tax assets were recognised for the temporary differences arising from a subsidiary's tax losses amounting to $1.9 million (2020: $2.5 million), which can be applied to future taxable income from 2022 to 2025, 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 2021 and 2020, 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 are 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.

In 2020, one of the subsidiaries of the Group operating in the Philippines has amended its registered business activity to include the approved expansion project of additional capacity for face mask production wherein it availed a tax incentive for the sales related to the expansion project.

24. TAXATION (continued)

d) Other matters (continued)

The President of the Philippines signed into law on 26 March 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. R.A. No. 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or 11 April 2021.

The following are the provisions to the Philippine tax law pursuant to the CREATE Act which have an impact on the subsidiaries of the Group operating in the Philippines:

- Effective 1 July 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective 1 July 2020 to 30 June 2023;
- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax or enhanced deductions (ED);
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED; and
- For investments prior to effectivity of CREATE:
    - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
    - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

Accordingly, current and deferred income taxes as of and for the year ended 31 December 2021 are computed and measured using the revised rate for financial reporting and tax purposes.

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.

25. 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	
	2021 $'000	2020 $'000
Net profit attributable to ordinary equity holders of the Company used in the computation of basic and diluted EPS	17,342	131,711
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares applicable to		
- Basic earnings per share	546,911	549,411
- Effect of dilution of share options	–	–
Weighted average number of ordinary shares for diluted EPS	546,911	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, excluding treasury shares, outstanding during the year.

In 2021 and 2020, 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.

26. DIVIDENDS

On 13 April 2021, the Board of Directors issued a notice on the declaration of cash dividends amounting to $0.0418 per ordinary share (tax not applicable) to shareholders of record as of 14 May 2021. The cash dividends were paid on 28 May 2021 amounting to $22.8 million (2020: $4.7 million). As of 31 December 2021 and 2020, the undistributed earnings of the subsidiaries included in the Group's earnings amounting to $84.1 million and $83.4 million, respectively, are not available for distribution to the stockholders unless declared by the investees (Note 4).

27. 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	
	2021 $'000	2020 $'000
Income:		
Sales to subsidiaries	25,116	204,397
Costs and expenses:		
Purchases from subsidiaries	39,886	186,782

The Group has provided a corporate guarantee to various banks for a $5.4 million loan (2020: $7.9 million) (Note 17) taken by subsidiaries.

As of 31 December 2021, the Group has lease agreements with its related party (Note 28).

b) Compensation of key management personnel

	Group	
	2021 $'000	2020 $'000
Directors and executives' remuneration	214	207
Comprise amounts paid to:		
- directors of the Company	210	199
- directors of the Subsidiary	4	8

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 (2020: nil) options were granted to directors and executives of the Company. During the year, nil (2020: nil) options granted to directors were lapsed.

There are no termination benefits or other long-term employee benefits granted to key management personnel in 2021 and 2020.

Amounts due to directors, which amounted to nil (2020: $71,000), are non-interest bearing and are payable on demand (Note 16).

28. LEASES

Group 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 2021, 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 2021 is $612,501 (2020: $612,501). 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 2021 amounted to $55,021 (2020: $51,195). 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 are as follows:

	Group	
	2021 $'000	2020 $'000
Deferred lease income - current	5	5
Deferred lease income - net of current portion	28	37
	33	42

Future minimum rental receivable under the operating lease at the end of the reporting period are as follows:

	Group	
	2021 $'000	2020 $'000
Not later than one year	615	603
Later than one year but not later than five years	3,266	3,202
Later than five years	517	1,196
	4,398	5,001

Group as lessee

The Group and the Company have entered into lease agreements in respect of land and building, with lease terms ranging from 2 to 50 years. The lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or further leasing.

The Group also has certain leases with lease terms of 12 months or less and with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

In 2021, the Group entered into lease agreements for office space, manufacturing operations and construction. Based on the terms of the lease agreements, both qualified for the recognition of right-of-use assets and lease liabilities amounting to $3.6 million.

28. LEASES (continued)

Group as lessee (continued)

In 2021 and 2020, the Group has also lease agreements with Manhattan International Corp. (MIC) of which one of the directors of the Group is a director (Note 27). In 2021, the Group recognized amortisation expense of $132,000 (2020: $7,000) and interest expense accretion of $154,000 (2020: nil) related to the right-of-use assets and lease liabilities, respectively. As at 31 December 2021, the related right-of-use assets and lease liability amounted to $2.7 million (2020: $331,893) and $2.6 million (2020: nil), respectively.

a) Right-of-use assets

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
As at 1 January	5,573	5,441	77	115
Additions	3,636	697	373	–
Amortization	(819)	(535)	(70)	(38)
Other adjustments	(4)	(30)	–	–
As at 31 December	8,386	5,573	380	77

b) Lease liabilities

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
As at 1 January	3,544	3,563	211	258
Additions	3,636	491	373	–
Accretion of interest (Note 22)	455	283	33	32
Payment of lease liabilities	(849)	(763)	(141)	(79)
Other adjustments	(7)	(30)	–	–
As at 31 December	6,779	3,544	476	211
Lease liabilities - current (Note 16)	(988)	(386)	(139)	–
Lease liabilities - net of current portion	5,791	3,158	337	211

The maturity analysis of lease liabilities is disclosed in Note 31.

c) **Amounts recognised in profit or loss**

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Amortisation of right-of-use assets (Note 23)	819	535	70	38
Interest expense on lease liabilities (Note 22)	455	283	33	32
Short-term lease expenses (Note 23)	540	346	44	20
Total amount recognised in profit or loss	1,814	1,164	147	90

29. 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 $5.4 million (2020: $7.9 million) loan (Note 17) 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 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.

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.

30. GROUP SEGMENTAL REPORTING (continued)

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 2021 and 2020.

2021	Manufacturing $'000	Hospital services $'000	Distribution and others $'000	Group $'000
Revenue	117,937	14,971	11,247	144,155
Results	14,683	413	2,680	17,776
Financial expenses				(891)
Financial income				33
Income tax expense				(408)
Net profit for the year				16,510
Total assets	196,393	15,047	4,134	215,574
Total liabilities	27,376	234	57	27,667
Other segment information:				
Capital expenditure	14,094	–	–	14,094
Depreciation and amortization	4,386	2,136	111	6,633
Provision for inventory losses	3,000	–	–	3,000
Provision for impairment of receivables	10	9	–	19
Other non-cash expenses - net	450	–	–	–

30. GROUP SEGMENTAL REPORTING (continued)

(a) Business segments (continued)

2020	Manufacturing $'000	Hospital services $'000	Distribution and others $'000	Group $'000
Revenue	357,817	14,668	27,842	400,327
Results	123,802	(1,298)	14,085	136,589
Financial expenses				(1,535)
Financial income				36
Income tax expense				(3,374)
Net profit for the year				131,716
Total assets	223,545	13,301	8,840	245,686
Total liabilities	48,584	2,553	59	51,196
Other segment information:				
Capital expenditure	6,463	–	–	6,463
Depreciation and amortization	4,384	3,576	111	8,071
Provision for inventory losses	659	–	–	659
Provision for impairment of receivables	12	–	–	12
Other non-cash expenses - net	283	–	–	283

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 2021 and 2020.

2021	North America $'000	Asia Pacific $'000	Europe $'000	Australia $'000	Group $'000
Revenue	37,642	76,451	30,062	–	144,155
Results	4,642	9,427	3,707	–	17,776
Financial expenses					(891)
Financial income					33
Income tax expense					(408)
Net profit for the year					16,510
Total assets	6,391	206,574	2,609	–	215,574
Total liabilities	–	27,667	–	–	27,667
Other segment information:					
Capital expenditures	–	14,094	–	–	14,094
Depreciation and amortization	–	6,602	–	–	6,602
Provision for inventory losses	–	3,000	–	–	3,000
Provision for impairment of receivables	–	19	–	–	19
Other non-cash expenses - net	–	450	–	–	450

30. GROUP SEGMENTAL REPORTING (continued)

(b) Geographical segments (continued)

2020	North America $'000	Asia Pacific $'000	Europe $'000	Australia $'000	Group $'000
Revenue	49,219	217,464	118,929	14,715	400,327
Results	16,793	74,197	40,578	5,021	136,589
Financial expenses					(1,535)
Financial income					36
Income tax expense					(3,374)
Net profit for the year					131,716
Total assets	15,074	227,808	2,804	–	245,686
Total liabilities	–	51,196	–	–	51,196
Other segment information:					
Capital expenditures	–	6,463	–	–	6,463
Depreciation and amortization	–	8,071	–	–	8,071
Provision for inventory losses	–	659	–	–	659
Provision for impairment of receivables	–	12	–	–	12
Other non-cash expenses - net	–	283	–	–	283

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, due from an affiliated company and corporate shareholder, other current assets and other current liabilities, which arise directly from its operations.

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.

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 17).

As at 31 December 2021, approximately nil (2020: 2%) 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:

2021 **Group**	Within 1 Year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	Over 5 years $'000	Total $'000
Fixed rate						
Fixed deposits	9,275	–	–	–	–	9,275
Floating rate						
Cash and bank balances	49,015	–	–	–	–	49,015
Bank loans	(9,306)	–	–	–	–	(9,306)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a) Interest rate risk (continued)

2021 **Company**	Within 1 Year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	Over 5 years $'000	Total $'000
Floating rate						
Cash and bank balances	15,711	–	–	–	–	15,711

2020 **Group**	Within 1 Year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	Over 5 years $'000	Total $'000
Fixed rate						
Fixed deposits	5,178	–	–	–	–	5,178
Bank loans	(557)	(62)	(67)	(42)	–	(728)
Floating rate						
Cash and bank balances	82,161	–	–	–	–	82,161
Bank loans	(32,353)	–	–	–	–	(32,353)

2020 **Company**	Within 1 Year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	Over 5 years $'000	Total $'000
Floating rate						
Cash and bank balances	20,008	–	–	–	–	20,008
Bank loans	(1,250)	–	–	–	–	(1,250)

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 income 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 profit before tax $'000
2021				
NTD	5	(24)	–	–
NTD	(5)	24	–	–
2020				
US$	41	(8)	41	(3)
RMB	41	(2)	–	–
NTD	41	(32)	–	–
US$	(41)	8	(41)	3
RMB	(41)	2	–	–
NTD	(41)	32	–	–

There is no other impact on the Group's and the Company's equity other than those already affecting income.

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 2021, 100% (2020: 99.3%) 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:

2021 Group	Total carrying value $'000	Total $'000	On demand $'000	< 1 year $'000	1 - 5 years $'000	> 5 years $'000
Undiscounted financial assets:						
Cash	49,015	49,015	49,015	–	–	–
Fixed deposits	9,275	9,275	–	9,275	–	–
Trade receivables - net	42,347	42,347	20,795	21,552	–	–
Other current assets	5,446	5,446	–	5,446	–	–
Total undiscounted financial assets	106,083	106,083	69,810	36,273	–	–
Undiscounted financial liabilities:						
Bank loans	9,306	9,433	–	9,433	–	–
Trade payables and other current liabilities	7,597	7,597	7,597	–	–	–
Lease liabilities	6,779	15,165	–	909	2,554	11,702
Total undiscounted financial liabilities	23,682	32,195	7,597	10,342	2,554	11,702
Total net undiscounted financial (liabilities)/assets	82,401	73,888	62,213	25,931	(2,554)	(11,702)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Liquidity risk (continued)

2021 Company	Total carrying value $'000	Total $'000	On demand $'000	< 1 year $'000	1 - 5 years $'000	> 5 years $'000
Undiscounted financial assets:						
Cash	15,711	15,711	15,711	–	–	–
Fixed deposits	–	–	–	–	–	–
Trade receivables	25,785	25,785	9,369	16,416	–	–
Other current assets	4,028	4,028	–	4,028	–	–
Due from subsidiaries (trade)	20,518	20,518	20,518	–	–	–
Total undiscounted financial assets	66,042	66,042	45,598	20,444	–	–
Undiscounted financial liabilities:						
Trade payables and other current liabilities	1,458	1,458	1,458	–	–	–
Lease liabilities	476	1,217	–	150	248	819
Due to subsidiaries (trade)	–	–	–	–	–	–
Total undiscounted financial liabilities	1,934	2,675	1,458	150	248	819
Total net undiscounted financial (liabilities)/assets	64,108	63,367	44,140	20,294	(248)	(819)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Liquidity risk (continued)

2020 **Group**	Total carrying value $'000	Total $'000	On demand $'000	< 1 year $'000	1 - 5 years $'000	> 5 $'000
Undiscounted financial assets:						
Cash	82,161	82,161	82,161	–	–	–
Fixed deposits	5,178	5,178	–	5,178	–	–
Trade receivables - net	49,308	49,308	16,469	32,839	–	–
Other current assets	528	528	–	528	–	–
Total undiscounted financial assets	137,175	137,175	98,630	38,545	–	–
Undiscounted financial liabilities:						
Bank loans	31,603	32,172	–	32,172	–	–
Trade payables and other current liabilities	10,162	10,162	–	10,162	–	–
Lease liabilities	3,544	16,742	–	1,113	3,150	12,479
Term loans	1,478	1,421	–	1,421	–	–
Total undiscounted financial liabilities	46,787	60,497	–	44,868	3,150	12,479
Total net undiscounted financial (liabilities)/assets	90,388	76,678	98,630	(6,323)	(3,150)	(12,479)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Liquidity risk (continued)

2020 **Company**	Total carrying value $'000	Total $'000	On demand $'000	< 1 year $'000	1 - 5 years $'000	> 5 years $'000
Undiscounted financial assets:						
Cash	20,008	20,008	20,008	–	–	–
Fixed deposits	–	–	–	–	–	–
Trade receivables	17,442	17,442	9,111	8,331	–	–
Other current assets	2,666	2,666	–	2,666	–	–
Due from subsidiaries (trade)	30,780	30,780	30,780	–	–	–
Total undiscounted financial assets	70,896	70,896	59,899	10,997	–	–
Undiscounted financial liabilities:						
Trade payables and other current liabilities	3,276	3,276	–	3,276	–	–
Term loans	1,250	1,250	–	1,250	–	–
Lease liabilities	211	1,054	–	48	111	895
Due to subsidiaries (trade)	–	–	–	–	–	–
Total undiscounted financial liabilities	4,737	5,580	–	4,574	111	895
Total net undiscounted financial (liabilities)/assets	66,159	65,316	59,899	6,423	(111)	(895)

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.

	2021				2020			
	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	–	–	–	–	1,250	–	–	1,250

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), New Taiwan Dollar (NTD), Singapore Dollar (SGD) and Euros (EUR). The foreign currencies in which these transactions are denominated are mainly US$. Approximately 19% (2020: 31%) of the Group's sales are denominated in foreign currencies whilst almost 31% (2020: 50%) 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, SGD and EUR.

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, RMB, NTD, SGD and EUR exchange rates (against US$), with all other variables held constant. The reasonably possible change was computed based on management assessment.

	Group	
	2021 $'000	2020 $'000
	Effect on profit before tax	Effect on profit before tax
PHP		
Strengthened 6.2% (2020: 5.2%)	194	(148)
Weakened 6.2% (2020: 5.2%)	(171)	164
RMB		
Strengthened 2.6% (2020: 6.3%)	(2)	(32)
Weakened 2.6% (2020: 6.3%)	2	36
NTD		
Strengthened 1.4% (2020: 6.3%)	85	1,643
Weakened 1.4% (2020: 6.3%)	(88)	(1,863)
SGD		
Strengthened 1.5% (2020: 1.2%)	229	(770)
Weakened 1.5% (2020: 1.2%)	(222)	789
EUR		
Strengthened 8.1% (2020: 8.5%)	5	(197)
Weakened 8.1% (2020: 8.5%)	(4)	234

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 months past due. The loss allowance provision as at 31 December 2021 and 2020 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.

2021
Group

	Current $'000	> 1 month $'000	> 2 months $'000	> 3 months $'000	> 4 months $'000	Total $'000
Expected credit loss %	0.16%	0.38%	0.52%	0.70%	1.36%	
Gross carrying amount	20,842	2,333	2,674	274	16,459	42,582
Loss allowance provision	–	–	–	–	(235)	(235)
	20,842	2,333	2,674	274	16,224	42,347

2020
Group

	Current $'000	> 1 month $'000	> 2 months $'000	> 3 months $'000	> 4 months $'000	Total $'000
Expected credit loss %	0.26%	0.39%	0.63%	1.15%	2.38%	
Gross carrying amount	35,626	2,361	3,906	3,675	3,960	49,528
Loss allowance provision	–	–	–	–	(220)	(220)
	35,626	2,361	3,906	3,675	3,740	49,308

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Credit risk (continued)

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 nil (2020: $1.3 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 13.

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			
	2021		2020	
	$'000	% of total	$'000	% of total
By region:				
North America	6,391	15%	15,074	30%
Europe	2,609	6%	2,804	6%
Asia Pacific	33,347	79%	31,430	64%
	42,347	100%	49,308	100%
By segment:				
Manufacturing	38,718	91%	41,265	84%
Hospital services	2,175	5%	1,995	4%
Trading	1,454	4%	6,048	12%
	42,347	100%	49,308	100%

The Group has no significant concentrations of credit risk, except for 4% (2020: 36%) of trade debts relating to three major customers of the Group. Revenues from these three customers constitute about 30% (2020: 49%) of the Group's turnover.

At the end of the reporting period, approximately:

- $1.5 million (2020: $17.8 million) of the Group's trade receivables were due from three major customers located in the Asia Pacific and Europe.
- Nil (2020: nil) of the Group's trade and other receivables were due from related parties outside the Group, while nil (2020: nil) of the Company's trade and other receivables were balances with related parties outside the Group.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Credit risk (continued)

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 13.

32. FINANCIAL INSTRUMENTS

a) Classification

2021 **Group**	Financial assets $'000	Other financial liabilities $'000	Total $'000
Financial assets:			
Cash and bank balances and fixed deposits	58,290	–	58,290
Trade receivables	42,347	–	42,347
Other current assets*	5,446	–	5,446
	106,083	–	106,083
Financial liabilities:			
Bank loans	–	9,306	9,306
Trade payables and other current liabilities**	–	7,597	7,597
Lease liabilities	–	6,779	6,779
	–	23,682	23,682
	106,083	23,682	82,401

**excluding non-financial assets*
***excluding non-financial liabilities*

32. FINANCIAL INSTRUMENTS (continued)

a) Classification (continued)

2021
Company

	Financial assets $'000	Other financial liabilities $'000	Total $'000
Financial assets:			
Cash and bank balances and fixed deposits	15,711	–	15,711
Trade receivables	25,785	–	25,785
Other current assets*	4,028	–	4,028
Due from subsidiaries (trade)	20,518	–	20,518
	66,042	–	66,042
Financial liabilities:			
Trade payables and other current liabilities**	–	1,458	1,458
Lease liabilities	–	476	476
	–	1,934	1,934
	66,042	1,934	64,108

**excluding non-financial assets*
***excluding non-financial liabilities*

2020
Group

	Financial assets $'000	Other financial liabilities $'000	Total $'000
Financial assets:			
Cash and bank balances and fixed deposits	87,339	–	87,339
Trade receivables	49,308	–	49,308
Other current assets*	528	–	528
	137,175	–	137,175
Financial liabilities:			
Bank loans	–	(31,603)	(31,603)
Trade payables and other current liabilities**	–	(10,162)	(10,162)
Term loans	–	(1,478)	(1,478)
Lease liabilities	–	(3,544)	(3,544)
	–	(46,787)	(46,787)
	137,175	(46,787)	90,388

**excluding non-financial assets*
***excluding non-financial liabilities*

32. FINANCIAL INSTRUMENTS (continued)

a) Classification (continued)

2020 **Company**	Financial assets $'000	Other financial liabilities $'000	Total $'000
Financial assets:			
Cash and bank balances and fixed deposits	20,008	–	20,008
Trade receivables	17,442	–	17,442
Other current assets*	2,666	–	2,666
	30,780	–	30,780
Financial liabilities:	70,896	–	70,896
Trade payables and other current liabilities**			
Due to subsidiaries (trade)	–	(3,276)	(3,276)
Pension benefits obligation	–	(211)	(211)
Lease liabilities	–	(1,250)	(1,250)
	–	(4,737)	(4,737)
	70,896	(4,737)	66,159

**excluding non-financial assets*
***excluding non-financial liabilities*

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.

32. FINANCIAL INSTRUMENTS (continued)

b) 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	
	2021	2020	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities:								
Long-term loans	–	1,478	–	1,421	–	1,250	–	1,250

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 and for assets whose fair values are required to be disclosed, are as follows:

Financial liabilities	**Methods and assumptions**
• Term loans • Long-term loans	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 2021: nil (2020: 2.5% to 8.5%).

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 2021 and 2020.

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 below 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	
	2021 $'000	2020 $'000
Loans and borrowings	9,306	33,081
Trade payables and other current liabilities	8,753	10,357
Less: Cash and bank balances and fixed deposits	(58,290)	(87,339)
	(40,231)	(43,901)
Equity attributable to the equity holders of the Company	185,214	193,465
Capital and net debt	144,983	149,564
Gearing ratio	(27.7%)	(29.4%)

34. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution by the Board of Directors on 28 March 2022.

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