



**BEYOND METAL
MANUFACTURING INTO
HEALTHCARE SOLUTIONS**

OUR VISION

To be a World Class Mechanical Manufacturing Solutions Provider

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Proxy Form

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

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made, or reports contained in this annual report.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636-4201.

CORPORATE PROFILE

Meta Health Limited (“Meta Health” or the “Company”), previously known as Metal Component Engineering (“MCE”), was founded in Singapore in 1987. The Company’s strategic focus on engineering quality and innovation resulted in successful expansion of its customer-base to include numerous MNCs (multinational corporations), EMSs (electronic manufacturing services), and SMEs (small and medium enterprises), globally. The Company recently diversified into the healthcare sector, and re-branded to Meta Health, to include: a network of licensed clinics-with-pharmacy, an online self-branded e-commerce portal, as well as product placements on regional e-commerce portals. As Meta Health, we are committed to strengthen our vertical integration and recent investments into GainHealth Pte. Ltd., a direct-to-consumer and high-growth omnichannel health and wellness platform, and will manifest this.



KEY CAPABILITIES:

- Early supplier involvement
- Design For Manufacturability (DFM)
- Program management
- Prototyping
- Tool design and fabrication
- Batch production
- High-volume production
- Secondary processes
- In-house surface treatment
- Supply chain management
- Mechanical assembly & integration
- Sub-module machining

CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER

198804700N

REGISTERED OFFICE

7030 Ang Mo Kio Avenue 5
#08-85 Northstar@AMK
Singapore 569880
Tel: (65) 6759 5575
Fax: (65) 6759 5565
www.metahealth.sg

BOARD OF DIRECTORS

Chua Kheng Choon (Chairman and CEO)
Koh Gim Hoe (Lead Independent Director)
Leow Siew Yon, Cynthia (Independent Director)
Kelvin Lee Ming Hui (Independent Director)

AUDIT COMMITTEE

Koh Gim Hoe (Chairman)
Leow Siew Yon, Cynthia
Kelvin Lee Ming Hui

REMUNERATION COMMITTEE

Kelvin Lee Ming Hui (Chairman)
Koh Gim Hoe
Leow Siew Yon, Cynthia

NOMINATING COMMITTEE

Leow Siew Yon, Cynthia (Chairman)
Koh Gim Hoe
Kelvin Lee Ming Hui

COMPANY SECRETARIES

Lee Wei Hsiung
Mak Peng Leong, Philip

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

M & C Services Private Limited
112 Robinson Road
#05-01 Singapore 068902

PRINCIPAL BANKERS

United Overseas Bank Limited
Malayan Banking Berhad

CONTINUING SPONSOR

ZICO Capital Pte. Ltd.
77 Robinson Road
#06-03 Robinson 77
Singapore 068896

INDEPENDENT AUDITOR

Foo Kon Tan LLP
Public Accountants and Chartered Accountants
24 Raffles Place
#07-03 Clifford Centre
Singapore 048621
Partner-in-charge: Ho Teik Tiong
Appointed with effect from financial year ended 31
December 2017 (except for 31 December 2019)

CORE VALUES

COMMITMENT

We shall always contribute our 100% work effort with passion and enthusiasm. We conduct our business professionally just like a life long marriage, with the "can-do" attitude.

TEAM

We share a common goal, strive to understand each other's strength and weakness, work together with a balanced approach, to bring the Company towards its winning state.

COMMUNICATION

It is important that listeners understand and accept our views. We always ensure two-way interaction is carried out with clarity, precision and be quantifiable. We always strive to master this art to ensure a timely and regular communication.

3GT²

TRUST

We will trust others first, followed by check and balance. We shall always respect all individuals the same way we want to be respected. We empower people, but are aware of cross cultural differences and each other's strength and weakness.

CREATIVITY

We must always think ahead, be bold to make a difference and to accept changes. We are always dynamic, flexible, continuously making improvement and accountable.

CHAIRMAN'S MESSAGE

Dear Shareholders

The year 2021 was a watershed year for Meta Health. Amid market uncertainty from the continuing sagas of both the Sino-US trade war and the fight against the coronavirus disease 2019 (“**COVID-19**”) pandemic, the market economy showed a gradual recovery that aided the Group's increase in revenue and improved financial position. This enabled us to explore potential and suitable acquisitions that included the investments in a new Healthcare and eCommerce business in the second half of 2021 (“**2H2021**”).

Correspondingly, the Group's revenue returned close to pre-COVID level at S\$43 million and with the completion of the disposal of our dormant subsidiary, MCE Industries (Shanghai) Co. Ltd (“**MCE Shanghai**”), we were able to report a record profit of \$7.7 million and a net cash of S\$4.7 million for the financial year ended 31 December 2021 (“**FY2021**”).

Financial Review

The Group recorded a revenue of S\$43.0 million for FY2021, a 33% increase from S\$32.2 million for the financial year ended 31 December 2020 (“**FY2020**”). The increase was mainly due to:

- (i) an increase of S\$9.5 million from S\$32.2 million in FY2020 to S\$41.7 million in FY2021 from global demand for our customer products in the Metal business, primarily from the global recovery from the impact of the COVID-19 pandemic; and
- (ii) the contribution from the new Healthcare business of S\$1.3 million (FY2020: nil) that arose after the Company's acquisition of Gainhealth Pte Ltd on 13 July 2021.

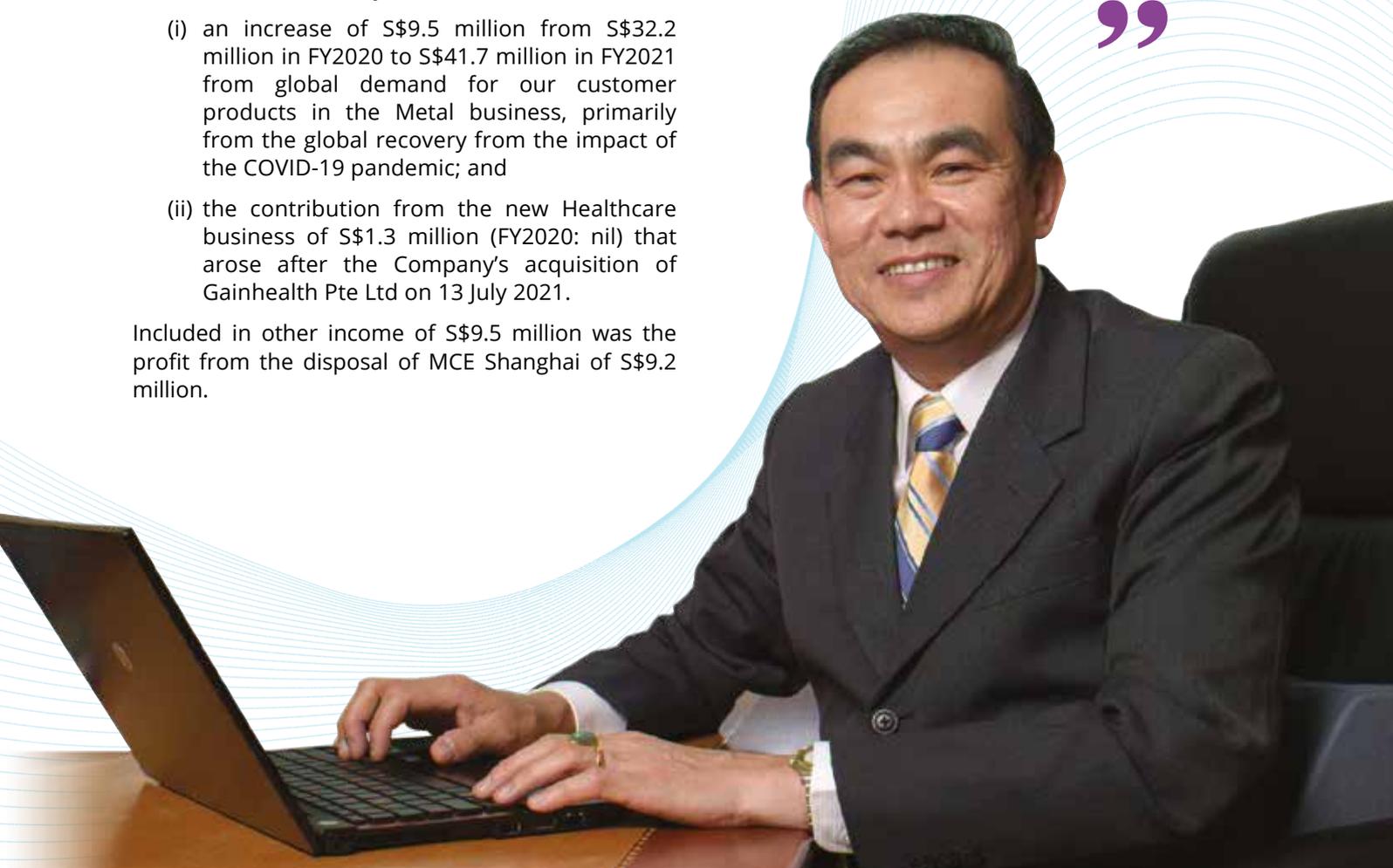
Included in other income of S\$9.5 million was the profit from the disposal of MCE Shanghai of S\$9.2 million.

Together with rising cost from:

- (i) changes in product mix that increased direct material cost as a percentage of sales,
- (ii) higher employee benefit expenses from the increased sales, addition of a new Healthcare business and share-based cost from new stock grants offered,
- (iii) higher operating expenses from increased production volume and professional fees in conjunction with the Company's investments in the new Healthcare businesses,

the Group reported a profit after tax of S\$7.7 million in FY2021, as compared to a loss after tax of S\$2.0 million in FY2020.

“
The Group recorded a revenue of S\$43.0 million for FY2021, a 33% increase from S\$32.2 million for the financial year ended 31 December 2020 (“FY2020”).
”



CHAIRMAN'S MESSAGE

In FY2021, the Group recorded a net cash inflow of S\$6.0 million (FY2020: S\$2.0 million) due to net cash of S\$0.3 million generated from operating activities, S\$3.2 million generated from investing activities and net cash S\$2.5 million generated from financing activities. Consequently, the Group's net cash increased by S\$6.2 million, from a net debt of S\$1.5 million as at 31 December 2020 to a net cash of S\$4.7 million as at 31 December 2021.

As at 31 December 2021, the Group recorded a net working capital of S\$11.8 million, an improvement of S\$1.9 million over the net working capital of S\$9.9 million as at 31 December 2020. This was mainly due to:

- (i) increased cash balance of S\$6.0 million
- (ii) increased working capital from increased sales, partly offset by
- (iii) reclassification of assets and liabilities upon the realization of the sale of MCE Shanghai in FY2021.

OPERATIONAL REVIEW

Metal Business

In 2021, the Group's manufacturing footprint from the Metal Business comprised of six manufacturing sites in three countries, namely China, Malaysia and Thailand that were supported by a Corporate Headquarters in Singapore. The increase in revenue (comprising both external and inter-segment sales) was experienced in all geographical segments of the Group, namely Thailand (growth by 13%), Malaysia (growth by 34%) and China (growth by 29%).

MCE Thailand

Revenue in Thailand increased from S\$8.1 million in FY2020 to S\$9.2 million in FY2021, mainly due to the increase in the customer products, primarily from the global recovery from the COVID-19 pandemic. However, it recorded a loss of S\$0.6 million in FY2021 as compared to a profit of S\$77,000 in FY2020, largely due to the impairment loss on its fixed assets for \$0.7 million that relates to the impending closure of one of its factories due to continued losses.

MCE Malaysia

Revenue in Malaysia increased from S\$9.6 million in FY2020 to S\$12.9 million in FY2021, largely due to the significant increase in demand from the customers' products caused by the global recovery from COVID-19. Consequently, it recorded a profit of S\$0.6 million as compared to a loss of S\$0.4 million in FY2020.

MCE China

Revenue in China increased from S\$13.8 million in FY2020 to S\$17.8 million in FY2021, mainly due to higher sales from the global recovery from the COVID-19 pandemic. Consequently, it recorded a profit of S\$0.5 million as compared to a profit of S\$0.1 million in FY2020.

Healthcare Business

Our venture into the Healthcare sector commenced in 2H2021 following the Company's acquisition of Gainhealth Pte Ltd, which contributed S\$1.3 million to the Group's revenue in Singapore (FY2020: nil). While this business segment recorded a loss in FY2021 mainly due to legal and professional fees incurred in conjunction with the Company's new investments in this new business, and the consequential management costs incurred, we are confident to see good return on investment ("ROI") in the years ahead given its vast potential.

Forward Looking

Currently, the COVID-19 is still rampant and while we anticipate that it will subside by the end of 2022, we expect it to negatively impact our Metal business for year 2022.

For our Healthcare business, we see a growth in demand for our services for telemedicine, nursing and e-pharmacy. We are also making good progress engaging relevant stakeholders and recruiting quality service providers in eldercare. We believe these initiatives will continue to strengthen the Group's financial performance. The team will continue to review strategic options and are committed to improve the shareholder's value over the next few months and years.

Appreciation

In conclusion, on behalf of the Board of Directors, I would like to express my sincere thanks to all our shareholders, customers, business partners and dedicated staff for your continued support.

Thank you.

Chua Kheng Choon

Chairman and Chief Executive Director

BOARD OF DIRECTORS



CHUA KHENG CHOON our Chairman and Chief Executive Officer, is one of our founders and is responsible for overseeing the overall business strategy of our Group. He has been in the precision metal stamping industry for more than 30 years. Under Mr Chua's leadership, our Company has grown steadily from its inception as a stamping subcontractor to its position as a one-stop provider for mechanical manufacturing products and services. He holds a Diploma in Material Handling Technology and a Certificate in Industrial Management from the Singapore Institute of Management.



KOH GIM HOE STEVEN is our Lead Independent Director. Mr Koh is the Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nominating Committee. He was previously the deputy chief executive officer and executive director in Armstrong Industrial Corporation Limited ("Armstrong") from 2000 to 2015. Prior to Armstrong, Mr Koh held several management positions in major banks. Mr Koh was appointed by SPRING Singapore (now known as Enterprise Singapore) from 2015 to 2016 as business advisor to precision engineering companies in Singapore, the Commissioner of Inland Revenues as a member of the Taxpayer Feedback Panel – Mandarin Dialogue from 2010 to 2014, and the chairman

of Singapore Club in South Korea in late 1900s. Mr Koh is currently a full time Executive Director of Singapore Precision Engineering and Technology Association (SPETA). Prior to current appointment, Mr Koh was the vice chairman and advisor for SPETA since 2011. He holds various Diplomas in Banking, Accountancy and Management from renowned overseas and local institutions.



LEOW SIEW YON CYNTHIA is our Independent Director. Ms Leow is the Chairman of the Nominating Committee, and a member of the Audit Committee and the Remuneration Committee. She is currently the Director of Asgard DSS Pte. Ltd., a trading company of digital equipment and development of information technology solutions. Prior to her appointment at Asgard DSS, Ms Leow has over 14 years of experience in corporate secretarial practice, having worked in several professional corporate services companies in Singapore - Rajah & Tann LLP, Vistra Corporate Services (SEA) Pte Ltd and Cresco Markets Pte Ltd. She was appointed as company secretary to several companies listed on the Singapore Exchange during her earlier

employment. Ms Leow holds a Bachelor of Business (Finance) from the Charles Sturt University in Australia. She is also an associate member of the Chartered Secretaries Institute of Singapore.



KELVIN LEE MING HUI, is our Independent Director. Mr Lee is a member of the Audit Committee, the Remuneration Committee and the Nominating Committee. He is currently a Director of WNLEX LLC, a full-service law corporation which he co-founded and where he heads the litigation and dispute resolution department since 2013. Prior to his appointment at WNLEX LLC, he was a partner/director of various law practices in Singapore with over 20 years of experience in litigation work, including work for corporate litigation and shareholder disputes, intellectual property matters and advisory work for listed companies. He has a high number of reported decisions in the Singapore Law Reports as he is very prolific in the Singapore Courts. He has

also attended trainings in mediation, negotiations and alternate dispute resolution methods. Mr Lee holds a Bachelor of Laws (Honours) from the National University of Singapore. He is also a member of the Law Society of Singapore and the Singapore Academy of Law.

GROUP KEY MANAGEMENT

MAK PENG LEONG PHILIP is the Chief Financial Officer and Company Secretary of the Group. He is responsible for the Group's overall financial management, internal control and compliance requirements. Mr Mak is also the Chief Risk Officer of the Group and sits on executive committee of the Group and participates in the strategic and policy making decisions of the Group. Prior to joining the Group, Mr Mak worked in a wide spectrum of companies including Singapore based multi-national corporations, publicly listed companies on the Singapore Exchange and public accounting firms. Mr Mak has more than 25 years of experience in audit and financial management. Mr Mak holds a Master of Business Administration from the University of South Australia in Adelaide, Australia. He is also a fellow member with the Institute of Singapore Chartered Accountants.

SUNG KIM MAY JUDY, our Group Enterprise Resource Planning (ERP) Manager, has been with the Group since 2008. She is responsible for the overall ERP system for the Group, providing technical advice, expertise and training to users. Ms Sung played an important role in assisting the Group to manage, automate and integrate the existing business process. Prior to her current appointment, Ms Sung was the Finance Manager of MCE Singapore, Malaysia and Thailand. Ms Sung has more than 20 years of working experience in finance management and was previously a member of the Association of Chartered Certified Accountants in UK.

CHONG HON PERNG SIMON, our Group Human Resources Manager, joined the Group in September 2020. Mr Chong is responsible for the overall implementation and provision of human resource services, policies and programs for the Group. He was a Group and Regional HR Manager in various Singapore companies that included public listed company and MNCs and had experience in the development and execution of strategic HR plans, management of the HR function and implementation of HR policies and programs in the Asia Pacific region. Mr Chong has over 35 years of diverse experience in the aerospace, marine, hospitality, chemical processing and manufacturing industries. He had also spent 4 years as an expatriate HR in China. He holds a Master of Science in Management from the National University of Ireland, Dublin and a Bachelor of Business from Curtin University of Technology, Australia, majoring in Human Resource Management. Mr Chong is also holds Advance Certificate in Training and Assessment (ACTA).

KEY MANAGEMENT OF METAL BUSINESS

BOON CHE KWANG is the General Manager for both MCE Thailand and Malaysia, and has been with MCE since 2004. He is responsible for the overall operations of MCE Thailand and Malaysia. Prior to his current appointment, Mr Boon held various management positions in production, engineering and operations in both MCE Thailand and Malaysia. Mr Boon holds a Bachelor of Science Degree (Major in Statistic and Computer Science) from Campbell University, North Carolina, America.

DING HONG YU RAIN is the General Manager for MCE Suzhou. He is responsible for the operations of MCE Suzhou. Prior to his current appointment, Mr Rain held various management positions in program, production and operations in MCE Suzhou. Mr Rain graduated from Hubei Three Gorges Polytechnic with a degree in Electronic Information Engineering Technology.

NG CHEE HONG DARREN, our Group Quality Assurance Manager, has been with the Group since 2001. He is responsible for the maintenance and continuous improvement of the Quality Management System of the Group, across its manufacturing sites. Mr Ng holds a Bachelor of Science Degree (Honours) from the National University of Malaysia. He is also a certified Lean Six Sigma Black Belt and IATF Lead Auditor.

TAN WEE SUAN MAVIS, our Corporate Materials Manager, has been with the Group since 1989. She is responsible for the Group's materials planning, pricing negotiation and purchase strategy. Ms Tan holds a Diploma in Business Administration from the Singapore Productivity Standards Board Institute.

KEY MANAGEMENT HEALTHCARE BUSINESS

DR BERNARD NG KEE HUAT is the Executive Director of 5Digital. He obtained his Doctor of Medicine from the National University of Malaysia and his MBA from the University of Melbourne. He is a medical and clinical affairs leader with global, regional and local experience in Pharmaceutical and Consumer Health industry. He is also an angel investor and advises fund management companies. He was previously the Chief Medical Officer, Head of Global Medical & Clinical Affairs for Bayer Consumer Healthcare. He is an active proponent of leveraging digital technologies and data to create disproportionate value for healthcare professionals, patients and consumers. He is a strong believer of the Disruptive Strategy model by the Clayton Christensen from Harvard Business School. He also was in IMD, Lausanne for a digital transformation course to better understand the disruptive power of platforms in today's competitive healthcare environment

DR VAS METUPALLE is the Chief Medical Officer of 5Digital, fully owned subsidiary of Meta Health. He is responsible for the digital healthcare platform and clinical operations for the group's healthcare assets. Dr Metupalle is a serial healthcare entrepreneur, having started a diagnostic services company, Clarity Radiology, and has advised several medtech and eHealth companies in South and South East Asia. He was the co founder of Singapore based digital health company, MyDoc in 2012. Dr Metupalle obtained an MBBS from King's College London. He has also got an eMBA from Nanyang Business School, Nanyang Technological University. His focus is on technology driven productivity improvements in the provider space and bringing wider value based care platform, while working with payors and corporates.

AHILLAN PUPALASINGAM is the Chief Investment Officer of 5Digital. He obtained his bachelors degree in Electrical Electronic Engineering from University College London and subsequently a Masters in Finance from City University of London. He has been in investment banking for 20 years in various firms with the last one being Bank of America Merrill Lynch. In that tenure he ran various positions of responsibility including being the head of South East Asia Markets. Following this, he ran his very own fund management company incorporated in Singapore. He has a very deep understanding of public markets and of various asset classes. Following this, he has invested in a few different tech driven platforms including an e-commerce platform for automobile spare parts.

FIVE-YEAR FINANCIAL HIGHLIGHTS

S\$'000	2017	2018	2019	2020	2021
GROUP FINANCIAL PERFORMANCE					
Revenue	55,598	46,856	45,460	32,233	43,026
(Loss)/Profit before taxation	(8,769)	(5,532)	117	(1,935)	7,670
Net (loss)/profit attributable to owners of the company	(8,727)	(5,488)	202	(1,960)	7,616
(Loss)/Earnings per share (diluted) (cents)	(2.33)	(1.47)	0.05	(0.52)	1.82

GROUP FINANCIAL POSITION					
Property, plant and equipment	20,983	20,211	18,314	5,566	4,190
Cash and cash equivalents	5,144	2,421	2,436	4,265	10,270
Current assets	29,150	21,412	18,938	32,324	27,854
Total assets	50,186	41,709	43,685	43,093	44,480
Current liabilities	25,866	23,233	22,319	22,473	16,069
Non-current liabilities	3,294	3,253	4,556	5,289	5,436
Total liabilities	29,160	26,486	26,875	27,762	21,505
Total equity	21,026	15,223	16,810	15,331	22,975

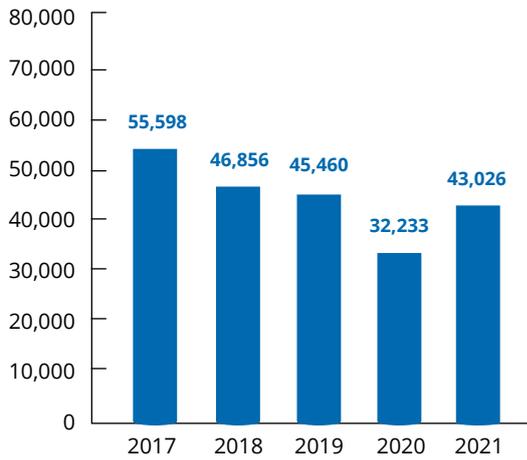
KEY FINANCIAL INDICATORS					
Debt-equity ratio (times)	1.39	1.74	1.60	1.81	0.94
Net cash/(debt) (\$'000) ⁽¹⁾	(3,215)	(7,756)	(4,929)	(1,545)	4,669
Net gearing	15%	51%	29%	10%	(20%)

Note:

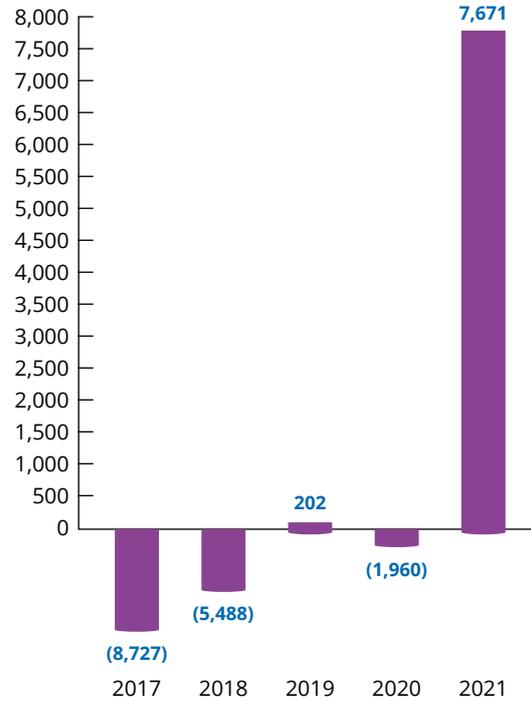
⁽¹⁾ Being borrowings less cash and cash equivalents of the Group.

FIVE-YEAR FINANCIAL HIGHLIGHTS

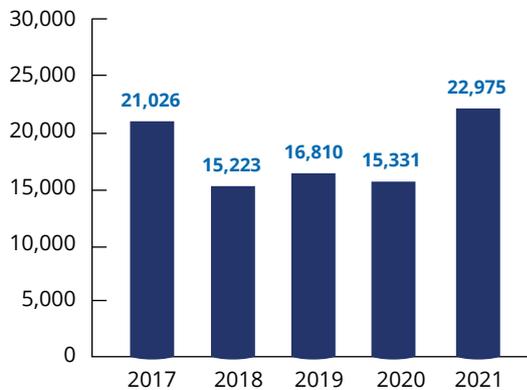
REVENUE
(S\$'000)



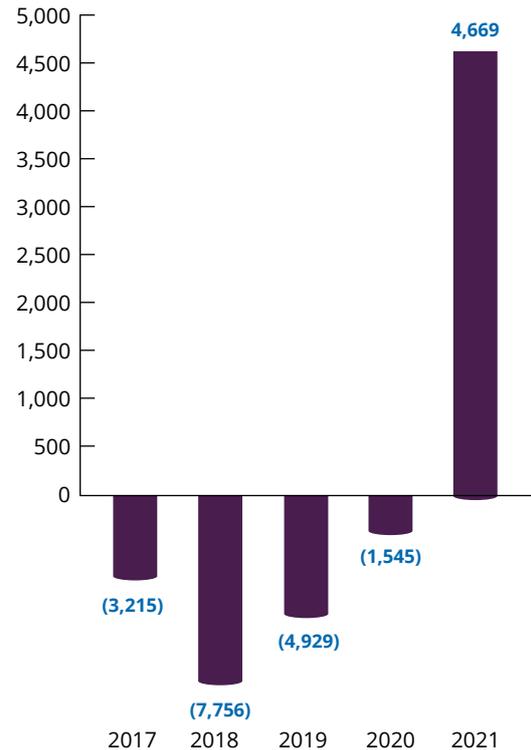
NET (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(S\$'000)



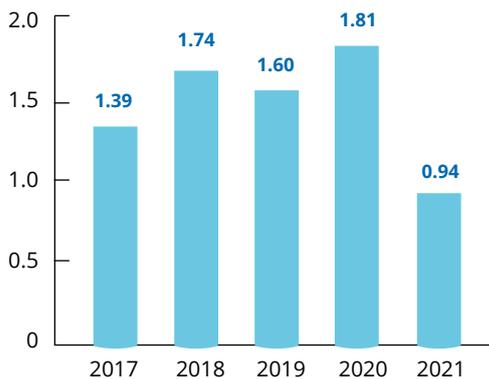
TOTAL EQUITY
(S\$'000)



NET CASH / (DEBT)
(S\$'000)



DEBT-EQUITY RATIO



CORPORATE GOVERNANCE REPORT

The board of directors (the “**Board**” or “**Directors**”) of Meta Health Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to comply with the principles of the Code of Corporate Governance 2018 issued on 6 August 2018 (the “**Code**”). The Company believes that good corporate governance is essential in building a sound corporation with an ethical environment, thereby protecting the interests of all shareholders of the Company (“**Shareholders**”).

This report sets out the Company’s corporate governance practices. The Board confirms that, for the financial year ended 31 December 2021 (“**FY2021**”), the Company has generally adhered to the Principles and Provisions set out in the Code. In areas where the Company’s practices vary from any Provisions of the Code, the Company has stated herein the Provision of the Code from which it has varied, and appropriate explanations are provided for the variation, and how the practices the Company had adopted are consistent with the intent of the relevant Principle of the Code. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time, to ensure compliance with the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”).

BOARD MATTERS

THE BOARD’S CONDUCT OF 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

Provision 1.1

The Board provides entrepreneurial leadership and oversees the management of the businesses of the Group, including that of setting the overall strategy and business direction of the Group.

The principal functions of the Board include:

- formulating, reviewing and approving of broad policies, key strategic and financial objectives and monitoring the performance of the management of the Company (“**Management**”);
- overseeing the processes for evaluating the adequacy of internal controls, risk management and regulatory compliance, as well as safeguarding Shareholders’ interests and the Company’s assets;
- reviewing and approving interim and annual results announcements, and other SGXNET announcements;
- reviewing and approving business plans, annual budgets, major funding proposals, investment and divestment proposals;
- approving of nominations for appointment or re-appointment to the Board of Directors and the appointment of key management personnel; and
- assuming responsibility for corporate governance and governance of risk.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. When a potential conflict of interest situation arises, the affected Director will recuse himself or herself from the discussion and decisions involving the areas of potential conflict, unless the Board is of the opinion that his or her participation is necessary, and in the event his participation is necessary, he will recuse himself from the decision-making.

CORPORATE GOVERNANCE REPORT

Provision 1.2

The Company does not have a formal training program for the Directors but all new Directors will receive appropriate training and orientation when they are first appointed to the Board including an orientation program to familiarise themselves with the Company's business and governance practices. Upon appointment of new Directors, such Directors are formally notified of their appointment and provided with a brief summary of their roles, duties and responsibilities as members of the Board.

The Company will also arrange for first-time Directors to attend relevant training in relation to the roles and responsibilities of a director of a listed company, organised by the Singapore Institute of Directors ("**SID**") as required under Rule 406(3)(a) of the Catalist Rules, as well as other courses relating to areas such as accounting, legal and industry specific knowledge as appropriate, organised by other training institutions. The training of Directors will be arranged and funded by the Company. No new Director was appointed during the year under review.

The Company encourages existing Directors to attend training courses organised by the SID or other training institutions which are aimed at providing them with the latest updates on changes in relevant regulations, accounting standards, corporate governance practices and guidelines from the SGX-ST that affect the Group and/or the Directors in connection with their duties and responsibilities as a Director of a public-listed company in Singapore, and such training will be funded by the Company. In FY20201, Leow Siew Yon, Cynthia (Independent Non-Executive Director) attended courses conducted by SID, namely LED 5 (Audit Committee Essentials), LED 6 (Board Risk Committee Essentials), LED 7 (Nominating Committee Essentials) and LED 8 (Remuneration Committee Essentials). Kelvin Lee Ming Hui (Independent Non-executive Director) attended courses conducted by SID, namely LED 1 (Listed Entity Director Essentials), LED 2 (Board Dynamics), LED 3 (Board Performance), LED 4 (Stakeholder Engagement), LED 5 (Audit Committee Essentials), LED 6 (Board Risk Committee Essentials), LED 7 (Nominating Committee Essentials) and LED 8 (Remuneration Committee Essentials).

The Board is updated on an ongoing basis on relevant new laws and regulations applicable to the Group by the Management. The Directors are updated regularly on changes to the Catalist Rules, risk management, corporate governance, insider trading and key changes in the relevant regulatory requirements, financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or members of the Board Committees.

Provision 1.3

The Company has adopted internal guidelines setting forth matters that require the Board's approval. These matters include, amongst others, the following:

- (a) approval of announcements released via SGXNet, including financial results announcements;
- (b) approval of operating budgets, annual and interim reports, financial statements, Directors' statement and annual report;
- (c) dividend matters;
- (d) authorisation of banking facilities and corporate guarantees;
- (e) approval of change in corporate business strategy and direction;
- (f) appointment and cessation of Directors and key management;
- (g) any matters relating to general meetings, Board and Board committees; and
- (h) approval of material investment and divestment proposals, acquisitions and disposals, and funding requirements.

CORPORATE GOVERNANCE REPORT

Provision 1.4

The Board conducts regular meetings, and additional meetings for particular matters will be convened as and when they are deemed necessary. Physical meetings are held and the Company's Constitution ("**Constitution**") allows for telephonic and video conference meetings.

The Board is supported by the Audit Committee, the Nominating Committee and the Remuneration Committee (collectively, the "**Board Committees**"). The members of the Board Committees are drawn from the members of the Board, and each of the Board Committees functions within clearly defined terms and operates under the delegated authority from the Board. The composition and description of each Board Committee are set out in this report. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. The Board Committees report its activities regularly to the Board. Minutes of the Board Committees are regularly provided to the Board and are available to all Board members. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

In addition, the Board is also supported by the Executive Committee. For FY2021, the Executive Committee comprises the Chairman and Chief Executive Officer ("**CEO**"), Chua Kheng Choon, and Mak Peng Leong, Philip (Chief Financial Officer ("**CFO**")). The Executive Committee is entrusted with the conduct of the Group's business and affairs. The Executive Committee will monitor the effectiveness of the policies set out by the Board and where necessary, make further recommendations or changes to the policies in line with the Group's financial objectives. The Executive Committee meets regularly, on an average of once a month.

Provision 1.5

The attendance of each Director at the Board and the Board Committees meetings held in FY2021 is set out below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	3	3	1	1
Attendance:				
Chua Kheng Choon	3	3*	1	1
Koh Gim Hoe	3	3	1	1
Lim Swee Kwang ⁽¹⁾	1	1	1	1
Leow Siew Yon, Cynthia	3	3	1	1
Kelvin Lee Ming Hui ⁽²⁾	2	2	-	-

*By invitation

Notes:-

- (1) Lim Swee Kwang (Independent Non-Executive Director) resigned as a Director with effect from 30 April 2021.
- (2) Kelvin Lee Ming Hui (Independent Non-Executive Director) was appointed as a Director with effect from 10 April 2021.

CORPORATE GOVERNANCE REPORT

All Directors are required to declare their board representations on an annual basis and as soon as practicable after the relevant facts have come to his knowledge. Where a Director has multiple board representations, and in considering the nomination of Directors for appointment, the Nominating Committee will evaluate whether or not the Director is able to and has been adequately carrying out his or her duties as a Director, as well as sufficient time and attention are given to the affairs of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. Other than their principal commitment, none of the Directors have multiple board representations in FY2021.

Provision 1.6

To enable the Board to discharge its responsibilities, the Management provides all Directors with management accounts, and all necessary information and relevant reports, relating to the Company and the Group, on a regular and timely basis. The Management regularly updates and reports to the Board on the Company's operations and plans. Board papers are prepared for each Board and Board Committee meeting and are usually circulated in advance of such meetings. This is to give the Directors sufficient time to review and consider the matters to be discussed. In certain cases, where appropriate, the relevant papers are circulated at the meeting itself or matters are discussed without Board papers.

Minutes of all Board and Board Committees meetings will be circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during the respective meetings.

Provision 1.7

The Directors have separate and independent access to Management and the Company Secretaries, who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied, at all times through email, telephone and face-to-face meetings.

The Directors may also liaise with Management as and when required to seek additional information. Any additional materials or information requested by the Directors to make informed decisions is promptly furnished.

The Company Secretary assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committees meetings. The Company Secretary and/or their representatives attend all the Board and Board Committees meetings and prepares minutes of meetings. The appointment and removal of the Company Secretaries is decided by the Board as a whole.

Should the Directors, whether as a group or individually, need independent professional advice in furtherance of their duties and responsibilities, the Company will appoint such professional adviser to render the appropriate professional advice. The cost of such professional advice will be borne by the Company.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

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 interest of the Company.

Provision 2.1

The criteria for independence are determined based on the definition as provided in the Code, and takes into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalyst Rules. The Board considers an “independent” director as one who has no relationship with the Company, its related companies, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgment in carrying out the functions as an independent director with a view to the best interests of the Group. A “substantial shareholder” means any person who has an interest or interests in one of more voting shares (excluding treasury shares) in the Company and the total votes attached to that share or those shares is not less than 5% of the total votes attached to all the voting shares (excluding treasury shares) in the Company, in line with the definition set out in section 2 of the Securities and Futures Act (Chapter 289) of Singapore.

The independence of each Director is assessed and reviewed annually by the Nominating Committee. Each independent Director is required to complete a declaration in respect of his independence based on the guidelines set out in the Code, and to update the Nominating Committee if there any changes to the contents of such declaration.

The Nominating Committee reviews annually the independence declarations made by the Independent Directors based on the criterion of independence under the guidelines provided in the Code. The Nominating Committee has determined and is satisfied that Mr Koh Gim Hoe, Mr Kelvin Lee Ming Hui and Ms Leow Siew Yon, Cynthia have remained independent in their judgement and can continue to discharge their duties objectively, and none of them has served on the Board beyond nine (9) years since the date of his/her first appointment.

The interests in shares, share options and warrants held by each Director in the Company are set out in the “Directors’ Statement” section of this Annual Report. Save for their individual and deemed interests in the shares of the Company, none of the Directors or any of their immediate family members is related to any other Director or a substantial Shareholder.

The Nominating Committee is satisfied that the Independent Directors are independent and are able to exercise objective judgment on corporate affairs independently from the Management, and there is presently a strong and independent element on the Board. The contribution of the Independent Directors to the Board deliberations ensures that no individual or small group of individuals dominates the Board’s decision making. As such, together with the Chairman and CEO, the Board is able to exercise independent judgment on corporate affairs and provide the Management with diverse and objective views on business issues.

CORPORATE GOVERNANCE REPORT

Provisions 2.2, 2.3 and 2.4

As at the date of this annual report, the composition of the Board and Board Committees are as follows:

Name of Director	Designation	Board Committee Membership		
		Audit Committee	Nominating Committee	Remuneration Committee
Chua Kheng Choon	Chairman and CEO	-	-	-
Koh Gim Hoe	Lead Independent and Non-Executive Director	Chairman	Member	Member
Leow Siew Yon, Cynthia	Independent Non-Executive Director	Member	Chairman	Member
Kelvin Lee Ming Hui	Independent Non-Executive Director	Member	Member	Chairman

In FY2021 and as at the date of this report, the Board has satisfied the requirements for (i) independent directors to make up a majority of the Board where the Chairman of the Board is not independent; and (ii) non-executive directors to make up a majority of the Board.

In reviewing the diversity of the Board, the Nominating Committee considers all aspects of diversity, including diversity of background, experience, gender, age and other relevant factors. The Nominating Committee and the Board have reviewed the size of the present Board and is satisfied that the current Board facilitates effective decision-making and that no individual or small group of individuals dominates the Board decision-making process, based on the Company's present circumstances and taking into account the scope and nature of the Group's businesses and operations. The Nominating Committee and the Board are of the view that the present Board has the necessary mix of expertise, experience and competencies such as accounting or finance, business or management experience and industry knowledge for the effective functioning of the Board and is appropriate for the current scope and nature of the operations of the Group.

Provision 2.5

The Independent and Non-executive Directors communicate regularly, without the presence of the Management, to discuss matters such as the Group's performance, corporate governance and remuneration of the Executive Director (being the Chairman and CEO), to facilitate a more effective oversight on the Management. They also assist the Executive Director to review the performance of the Management and provide constructive suggestions to the Management to improve the Group's performance. The Independent and Non-Executive Directors provide constructive suggestions to Management and constructively challenge and provide inputs to the Management on business strategy.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Provisions 3.1 and 3.2

Mr Chua Kheng Choon holds both the positions of Chairman of the Board and the CEO of the Company. While the roles of the Chairman and the CEO are held by Mr Chua Kheng Choon, the responsibilities of Chairman and CEO are separate and distinct. In accordance with the requirements of the Code where the Chairman is not independent, the Independent Non-Executive Directors form the majority of the Board, and the Company has a Lead Independent Director. The Board is of the view that the discharge of responsibilities in the two roles by Mr Chua Kheng Choon will not be compromised as there is strong independence within the Board to ensure an appropriate balance of power, increased accountability and capacity of the Board for independent decision making. The Nominating Committee also assesses the performance and effectiveness of Mr Chua Kheng Choon on his performance as Chairman separately from that of CEO.

There is a clear division of responsibilities, as set out in writing and agreed by the Board, between the leadership of the Board and the Management responsible for managing the Company's business.

As CEO, Mr Chua Kheng Choon is responsible for the conduct of the Group's daily operational directions and decisions.

As Chairman of the Board, Mr Chua Kheng Choon is responsible for:

- leading the Board to ensure its effectiveness on all aspects of its role;
- setting the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate in the Board;
- ensuring that the Directors receive complete, adequate and timely information;
- ensuring effective communication with Shareholders;
- encouraging constructive relations within the Board and between the Board and the Management;
- facilitating the effective contribution of Independent and Non-executive Directors; and
- promoting high standards of corporate governance.

Members of the Board, having direct access to the Company Secretaries, are also able to add matters of concern for discussion during Board meetings. The Board is of the view that given the size and business model of the Group, it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and the Chairman is the same person. This is to facilitate the decision making and implementation processes within the Group. The Chairman and CEO is a member of the Executive Committee, which in turn is subject to the overall supervision of the Board.

CORPORATE GOVERNANCE REPORT

Provision 3.3

As the Chairman and CEO is the same person, Mr Koh Gim Hoe is appointed as the Lead Independent Director. He acts as the focal point for Independent Directors to provide their inputs to the Chairman and CEO as well as the Management, and in their interactions with the Executive Director. As the Lead Independent Director, he will be available to Shareholders where they have concerns for which contact through the normal channels of the Chairman and CEO, or the CFO have failed to resolve or for which such contact is inappropriate. As and when they deem necessary, the Independent Directors meet without the presence of the other Directors, and the Lead Independent Director provides feedback to the Chairman and CEO after such meeting, if necessary. Similarly, the Lead Independent Director acts as the focal point for contact between the Executive Director and the Management with the Independent Directors.

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

Provision 4.1

The Board established the Nominating Committee with written terms of reference which clearly set out its authority and duties, and report to the Board directly.

The terms of reference of the Nominating Committee sets out its duties and responsibilities. Amongst them, the Nominating Committee is responsible for:-

1. regularly and strategically reviewing the structure, size and composition (including the skills, gender, age, qualification, experience and diversity) of the Board and Board Committees;
2. identifying and nominating candidates to fill Board vacancies as they occur;
3. requesting nominated candidates to disclose any existing or expected future business interests that may lead to a conflict of interest. This disclosure is to be included in any recommendations to the Board;
4. sending the newly-appointed Director a formal appointment letter which clearly sets out his or her roles and responsibilities, authority, and the Board's expectations in respect of his or her time commitment as a Director of the Company;
5. recommending the membership of the Board Committees to the Board;
6. reviewing the independent status of Non-Executive Directors (in accordance with Catalist Rules 406(3) (d)(i), (ii), and (iii) and Provision 2.1 of the Code) and that of the Alternate Director, if applicable, annually, or when necessary, along with issues of conflict of interest;
7. developing the performance evaluation framework for the Board, the Board Committees and individual Directors and propose objective performance criteria for the Board, the Board Committees and individual Directors;

CORPORATE GOVERNANCE REPORT

8. recommending that the Board removes or reappoints a Non-Executive Director at the end of his or her term, and recommend the Directors to be re-elected under the provisions of the Company's Constitution on the policy of retirement by rotation. In making these recommendations, the Nominating Committee should consider the Director's performance, commitment and his or her ability to continue contributing to the Board;
9. reviewing other directorships held by each Director and decide whether or not a Director is able to carry out, and has been adequately carrying out, his or her duties as a Director;
10. reviewing the Board with its succession plans for the Board Chairman, Directors, CEO and key management personnel of the Company;
11. keeping up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Company and the industry in which it operates; and
12. undertaking such other functions and duties as may be required by the Board under the Code, statute or the Catalist Rules (where applicable).

Provision 4.2

In FY2021, the Nominating Committee comprises three members, all of whom (including the Chairman) are Independent and Non-Executive Directors, namely Ms Leow Siew Yon, Cynthia (Chairman), Mr Koh Gim Hoe and Mr Kelvin Lee Ming Hui. The Lead Independent Director, Mr Koh Gim Hoe, is a member of the Nominating Committee.

Provision 4.3

The Nominating Committee's primary function is to recommend the appointments and re-appointments of Directors. Each member of the Nominating Committee is required to abstain from voting, approving or making a recommendation on any resolutions of the Nominating Committee in which he has a conflict of interest in the subject matter under consideration.

As prescribed in the Company's Constitution and recommended by the Code, one-third of the Directors are required to retire from office and be subject to re-election by Shareholders at the Company's Annual General Meeting. In addition, the Constitution of the Company provides that a Director appointed by the Board to fill a vacancy or as an additional Director must retire at the next annual general meeting of the Company after such appointment, and subject himself or herself for re-election.

CORPORATE GOVERNANCE REPORT

At the forthcoming annual general meeting of the Company, Mr Koh Gim Hoe and Ms Leow Siew Yon, Cynthia will be retiring by rotation pursuant to Regulation 92 of the Company's Constitution (collectively, the "**Retiring Directors**"). Being eligible for re-election, the Retiring Directors have offered themselves for re-election at the forthcoming annual general meeting of the Company. The Nominating Committee has recommended and the Board has agreed that the Retiring Directors be nominated for re-election at the forthcoming annual general meeting of the Company. In making the recommendations, the Nominating Committee has considered the overall contributions and performances of the Retiring Directors. Please refer to the section entitled "Additional Information on Director Nominated for Re-election – Appendix 7F to the Catalist Rules" of this report for the information as set out in Appendix 7F to the Catalist Rules relating to Mr Koh Gim Hoe and Ms Leow Siew Yon, Cynthia. The Retiring Directors, being the member and Chairman of the Nominating Committee, have each abstained from making any recommendation and/or participating in any deliberation of the Nominating Committee in respect of the assessment of their own performance or re-election as a Director.

When a new Director is to be selected or appointed by the Board, the Nominating Committee, in consultation with the Board, decides on the criteria (including qualifications and experience) for selecting any candidate. The Nominating Committee meets with the shortlisted candidates to assess their suitability, with a view to nominating them for the Board's consideration and approval. In their assessment of each candidate, the Nominating Committee will take into account the candidate's track record, age, experience, capabilities and other relevant factors.

Provision 4.4

The Company has put in place a process to ensure the continuous monitoring of the independence of the Directors whereby the Directors must immediately report any changes in their external appointments that could affect their independence on the Board.

The Nominating Committee reviews the independence of each Director annually in accordance with the definition of independence set out in the Code, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. None of the Independent Directors has been appointed as a Director of the Company for an aggregate of more than nine (9) years as at the date of this report. In respect of the Independent Directors, namely Mr Koh Gim Hoe, Ms Leow Siew Yon, Cynthia and Mr Kelvin Lee Ming Hui, the Board is of the view that they are independent, taking into account the circumstances set forth in the Code, Rule 406(3)(d) of the Catalist Rules and any other salient factors. For FY2021, the Independent Directors have also confirmed their independence in accordance with the Code and Rule 406(3)(d) of the Catalist Rules.

CORPORATE GOVERNANCE REPORT

Provision 4.5

Other than the key information regarding the Directors set out below, information pertaining to the Directors' interests in shares, options and other convertible securities are set out in the "Directors' Statement" section of this Annual Report, and information in relation to the background and principal commitments of the Directors are set out in the "Board of Directors" section of this Annual Report. The dates of initial appointment and last re-election of each Director, together with his current directorships in listed companies and other principal commitments are set out below:

Name of Director	Board appointment	Date of first appointment	Date of last re-election	Directorships/ Chairmanships in other listed companies (present and in the preceding three years)	Other principal commitments
Chua Kheng Choon	Executive	22.12.1988	28.4.2021	-	-
Koh Gim Hoe	Non-Executive and Lead Independent	11.5.2016	25.6.2020 (To be re-elected at the forthcoming Annual General Meeting)	-	Executive Director of Singapore Precision Engineering and Technology Association
Leow Siew Yon, Cynthia	Non-Executive and Independent	1.1.2021	28.4.2021 (To be re-elected at the forthcoming Annual General Meeting)	-	Founder of Asgard Dss Pte. Ltd.
Kelvin Lee Ming Hui	Non-Executive and Independent	10.4.2021	28.4.2021	-	Director of Litigation and Dispute Resolution of WNLEX LLC

The Board is of the view that the effectiveness of each Director is best assessed by a qualitative assessment of the Director's contribution and his ability to devote sufficient time and attention to the Company's affairs. The Board has not determined the maximum number of listed company board representations which a Director may hold as it does not wish to omit from consideration, outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as new members of the Board. The Board does not have any alternate Directors.

CORPORATE GOVERNANCE REPORT

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.

Provision 5.1

While the Code recommends that the Nominating Committee be responsible for assessing the effectiveness of the Board as a whole and each Board Committee separately, and also assessing the contribution of the Chairman and each individual Director, the Nominating Committee is of the view that, given the relatively small size of the Board, it is more appropriate and effective to assess the Board as a whole in FY2021, bearing in mind that each member of the Board contributes in different way to the success of the Company and Board decisions are made collectively.

Provision 5.2

The Nominating Committee, in considering the appointment or re-appointment of any Director, evaluates the competencies, commitment, contribution and performance of that Director, and also the requirements for Board renewal. The assessment parameters include attendance, preparedness, participation and candour at meetings of the Board and Board Committees, as well as effectiveness and commitment of such Director.

Each member of the Nominating Committee shall abstain from voting on any resolutions or participating in respect of the assessment of his performance or re-nomination as Director.

The Nominating Committee, having reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year reported on, is of the view that the performance of the Board as a whole has been satisfactory. The Nominating Committee is satisfied that sufficient time and attention has been given to the Group by each Director. The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant, the Nominating Committee will consider such engagement.

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.

Provision 6.1

The Remuneration Committee's primary responsibility is overseeing the general compensation of the Group's employees with a goal to motivate, recruit and retain the Group's employees and Directors through competitive compensation and progressive policies.

CORPORATE GOVERNANCE REPORT

The principal responsibilities of the Remuneration Committee include, amongst others, the following:

- reviews and recommends to the Board, a framework of remuneration for the Directors and key management personnel;
- reviews and recommends to the Board the specific remuneration packages for each Director; and
- reviews the Company's obligations arising in the event of termination of an executive Director's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Provision 6.2

In FY2021, the Remuneration Committee comprises three members, all of whom (including the Chairman) are Independent and Non-Executive Directors, namely Mr Kelvin Lee Ming Hui (Chairman), Mr Koh Gim Hoe and Ms Leow Siew Yon, Cynthia.

Provision 6.3

In carrying out its duties, the Remuneration Committee aims to be fair and to avoid rewarding poor performance.

The Remuneration Committee at present does not review and recommend to the Board the specific remuneration packages for key management personnel. This task is carried out by the Executive Committee. The Board will consider how to involve the Remuneration Committee in this process in due course.

The remuneration framework under the purview of the Remuneration Committee covers all aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, options, share based incentives and awards, and benefits in kind. No Director is involved in deciding his or her own remuneration.

At present, the remuneration of key management personnel (excluding CEO) is reviewed and approved by the CEO, while the remuneration of the CEO and Executive Director is reviewed and approved by the Remuneration Committee.

Provision 6.4

No remuneration consultants were engaged by the Company in FY2021. The Remuneration Committee will engage professional advice in relation to remuneration matters as and when the need arises. The Remuneration Committee will ensure that existing relationships between the Company and its appointed remuneration consultants, if any, will not affect the independence and objectivity of the remuneration consultants. Where remuneration consultants are appointed, the Company will disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the Company.

CORPORATE GOVERNANCE REPORT

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.

Provisions 7.1 and 7.3

The service contracts of executive Director and key management personnel are for fixed terms which are not excessively long, and do not contain onerous removal clauses. Notice periods in such service contracts are set at a period of 6 months or less. These service contracts are reviewed periodically by the Remuneration Committee to ensure that they are aligned with the long-term interest and risk policies of the Company and are in line with market practices and prevailing market conditions. When it deems appropriate, the Remuneration Committee appoints independent remuneration consultants to assist the Committee in the performance of its tasks.

At the moment, the Company does not use any contractual provisions to reclaim incentive components of the remuneration from the executive Director and key management executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Director owes a fiduciary duty to the Company, and the Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties. The Remuneration Committee, will consider, if required, whether there is a requirement to institute such contractual provision to allow the Company to reclaim the incentive components of the remuneration of the executive Director and key management executive paid in prior years in such exceptional circumstances.

The Remuneration Committee is also responsible for overseeing the MCE Share Option 2014 Scheme (the “**2014 Scheme**”) and assists the Board in administering the 2014 Scheme in accordance with the guidelines set. Adequate disclosures have been made in the “Directors’ Statement” section of this Annual Report, entitled “Employee Share Option Scheme” and in note 29 to the financial statements set out in this Annual Report.

Provision 7.2

The Independent Non-Executive Directors are paid fixed Directors’ fees which are set in accordance with a remuneration framework comprising basic fees and committee fees. In determining such fees, the Remuneration Committee considers, among others, the particular circumstances applicable to the Company, and the practice of companies in the same industry, of comparable size and having similar business models.

The Board recognises the need to pay competitive (but not excessive) fees to attract, motivate and retain Directors. The Remuneration Committee has assessed and is satisfied that the Independent Non-Executive Directors are not overly-compensated to the extent that their independence is compromised. The Directors’ fees are recommended by the Remuneration Committee for the Board’s approval and will be paid only after approval by Shareholders at the Annual General Meeting. The respective Chairmen and members of the various Board Committees receive additional fees after taking into account the nature of their responsibilities and the greater frequency of meetings. Each member of the Remuneration Committee abstains from voting on any resolutions in respect of his or her remuneration package. Directors’ fees of S\$110,000 for the financial year ending 31 December 2022 (to be paid quarterly in arrears) are recommended by the Board and subject to the approval of Shareholders at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

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.

Provision 8.1

The remuneration bands of the Directors and the top five (5) key management personnel of the Group (who are not Directors or the CEO) for FY2021 are as follows:

Remuneration Bands	Directors' Fees	Base/Fixed Salary	Bonus	Other ⁽⁴⁾ Benefits	Total
	%	%	%	%	%
Directors					
S\$250,001 to S\$500,000					
Chua Kheng Choon ⁽¹⁾	-	94	-	6	100
Up to S\$250,000					
Koh Gim Hoe	100	-	-	-	100
Lim Swee Kwang ⁽²⁾	100	-	-	-	100
Leow Siew Yon, Cynthia	96	-	-	4	100
Kelvin Lee Ming Hui ⁽³⁾	92	-	-	8	100
Key Management					
S\$250,001 to S\$500,000					
Mak Peng Leong Philip	-	92	7	1	100
Up to S\$250,000					
Tan Wee Suan, Mavis	-	98	-	2	100
Ng Chee Hong, Darren	-	98	-	2	100
Boon Che Kwang	-	94	6	-	100
Chong Hon Perng Simon	-	100	-	-	100

Notes:

- (1) Mr Chua Kheng Choon is also the CEO of the Company.
- (2) Mr Lim Swee Kwang ceased to be an Independent Non-Executive Director with effect from 30 April 2021.
- (3) Mr Kelvin Lee Ming Hui was appointed as an Independent Non-Executive Director with effect from 10 April 2021.
- (4) Relates to allowances on transportation, medical, mobile phone and car park.

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The Company had obtained Shareholders' approval for the payment of Directors' fees for FY2021 of an aggregate amount of S\$115,000 (with payment to be paid quarterly in arrears during FY2021) at the last annual general meeting of the Company held on 28 April 2021 and the actual Directors' fees in FY2021 were S\$91,875.

The Board, after weighing the advantages and disadvantages of such disclosure, is of the view that full disclosure of the actual remuneration of each Director (including the CEO) as well as the total remuneration paid to the top five (5) key management personnel pursuant to Provision 8.1 of the Code would not be in the interests of the Company as such information is confidential and sensitive in nature, and can be exploited by competitors.

The Board is of the opinion that the information disclosed above would be sufficient for Shareholders to have an adequate appreciation of the Company's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide Shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

Provision 8.2

The Company does not have any employee who is a substantial Shareholder, or an immediate family member of a Director, the CEO or a substantial Shareholder in FY2021.

Provision 8.3

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

The MCE Share Option Scheme ("**ESOS**") which was adopted by the Company on 4 November 2003, had expired on or about 3 November 2013. At the annual general meeting of the Company on 25 April 2014, the MCE Share Option Scheme 2014 was approved and adopted by the Company's shareholders to replace the ESOS. In FY2021, the Company granted 43,080,500 share options to eligible employees pursuant to the MCE Share Option Scheme 2014, including the CEO, Directors and key management personnel. Details of the ESOS and the MCE Share Option Scheme 2014 are set out in the "Directors' Statement" section in this Annual Report entitled "Employee Share Option Scheme" and in note 29 to the financial statement set out in this Annual Report.

CORPORATE GOVERNANCE REPORT

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.

Provision 9.1

To enhance the Board's risk governance capabilities, the Board has in place an Enterprise Risk Management ("ERM") program for the Group. The ERM program is intended to assist the Board in (a) identifying significant risks, as well as determining the Company's levels of risk tolerance and risk policies; and (b) overseeing the design, implementation and monitoring of the Company's risk management and internal control systems.

To assist the Board in carrying out its risk governance functions, the Board has decided, in lieu of forming a separate board risk committee, to expand the terms of reference of the Audit Committee in relation to risk management, namely:

"To assist the Board in overseeing the risk governance in the Company to ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets. The Audit Committee will also assist the Board to determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives."

In connection with the ERM program of the Group and the additional terms of reference of the Audit Committee, the Board designated the CFO, Mak Peng Leong, Philip, as the Group's Chief Risk Officer, with the following terms of reference:

"To assist the Audit Committee in carrying out its responsibilities in relation to risk governance by monitoring and reporting to the Audit Committee on the performance of the activities of the Company's ERM program and compliance by all relevant departments, business units or personnel of their respective responsibilities under the ERM programme."

The ERM program is intended to complement the functions performed by the internal auditors in respect of risk management and internal controls. The internal auditors are tasked to perform independent reviews of risks and controls to provide reasonable assurance to the Audit Committee and the Board that such risks have been adequately addressed and controls are operating.

In addition, the Audit Committee has, with the assistance of the Management and the internal auditors, reviewed and reported to the Board on the effectiveness of the Group's internal controls including financial, operational, compliance, information technology controls and risk management systems. The Board recognises that no cost effective internal control system will be able to eliminate all errors, irregularities and risks, and that any cost effective system can only be designed to manage and mitigate material errors, irregularities and risks.

CORPORATE GOVERNANCE REPORT

Provision 9.2

The Board has also received from the CEO and the CFO, assurances that (i) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and (ii) that the Group has in place adequate and effective risk management and internal control systems.

Based on the Group's existing framework of management controls, risk management systems, internal control policies and procedures, as well as reviews performed by the Management, the internal auditors, the Board, with the concurrence of the Audit Committee, is of the opinion that internal controls of the Group addressing financial, operational, compliance, information technology controls and risk management systems are adequate and effective as at 31 December 2021.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

Provision 10.1

The Executive Director will continue to manage the operations of the Group and the Audit Committee will provide the necessary oversight. The Audit Committee will assist the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records, as well as develop and maintain effective systems of internal control and risk governance, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, and has full access to and co-operation by the Management and full discretion to invite any Director or executive officer to attend its meetings, and has reasonable resources to enable it to discharge its functions properly.

The Audit Committee's duties include:

- reviewing 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;
- reviewing and reporting to the Board at least annually on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, with inputs and assistance from the Management and the internal auditors;
- reviewing the effectiveness of the Company's internal audit function;
- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- reviewing the co-operation given by the Management to the internal and external auditors;
- making recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- assisting the Board in overseeing the risk governance in the Company to ensure that the Management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the Company's assets, and to assist the Board to determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives;

CORPORATE GOVERNANCE REPORT

- reviewing interested person transactions (if any) falling within the scope of Chapter 9 of the Catalyst Rules; and
- reviewing potential conflicts of interest, if any.

The Audit Committee also provides a channel of communication between the Board, the Management, the external auditors and the internal auditors on audit matters. The Audit Committee meets with the internal auditors and external auditors separately, at least once a year without the presence of the Management to review any matter that might be raised.

The Audit Committee keeps abreast of changes to accounting standards and issues which have a direct impact on financial statements through the report presented by the external auditors on the scope and results of the external audit, and through their discussions with the external auditors.

In the course of FY2021, the Audit Committee carried out the following activities:-

- reviewed half-year and full-year financial statements (unaudited and audited), and recommended such reports to the Board for approval;
- reviewed the adequacy and effectiveness of the Group's risk management and internal control systems;
- reviewed interested person transactions;
- reviewed and approved the annual external audit plan of the external auditors;
- reviewed and approved the internal audit plan of the internal auditors;
- reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for Board approval;
- met with the external auditors and the internal auditors once without the presence of the Management;
- reviewed the salient features memorandum from the external auditors for FY2021; and
- reviewed the internal audit report from the internal auditors.

In discharging the above duties, the Audit Committee confirms that it has full access to and co-operation from the Management and is given full discretion to invite any Director or executive officer to attend its meetings. In addition, the Audit Committee has also been given reasonable resources to enable it to perform its function properly.

Provision 10.2

In FY2021, the Audit Committee comprises three members, all of whom (including the Chairman) are Independent and Non-Executive Directors, namely Mr Koh Gim Hoe (Chairman), Ms Leow Siew Yon, Cynthia and Mr Kelvin Lee Ming Hui.

The Audit Committee members have many years of experience in senior management positions in the financial, legal and industrial sectors. They have sufficient recent and relevant financial management expertise and experience to discharge the Audit Committee's responsibilities.

Provision 10.3

No former partner or director of the Company's existing external auditing firm is a member of the Audit Committee.

CORPORATE GOVERNANCE REPORT

Provision 10.4

The Company has complied with the Rules 712 and 715 of the Catalist Rules in engaging Foo Kon Tan LLP, which is registered with the Accounting and Corporate Regulatory Authority, as the external auditors of the Company and its Singapore-incorporated subsidiary. The Group has appointed different auditors for its overseas subsidiaries. The Board and the Audit Committee have reviewed the appointment of different auditors for its overseas subsidiaries and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group.

The following are the audit and non-audit fees paid/payable by the Group:

	FY2020
	\$
Audit fees paid/payable to the external auditors	
- external auditors of the Company	174,000
- other external auditors of the Group	86,250
Non-audit fees paid/payable to the external auditors	-

Annually, the Audit Committee will also conduct a review of the independence and objectivity of the external auditors through discussions with the external auditors, as well as reviewing the non-audit fees paid to them. After considering the resources and experience of Foo Kon Tan LLP's other audit engagements, the size and complexity of the audit for the Group, as well as the number and experience of the staff assigned by Foo Kon Tan LLP for the audit, the Audit Committee has recommended to the Board the nomination and re-appointment of Foo Kon Tan LLP as the external auditors of the Company at the forthcoming annual general meeting of the Company.

In the review of the financial statements, the Audit Committee has discussed with the Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matter impacting the financial statements was discussed with the Management and the external auditors, and was reviewed by the Audit Committee:

Matter considered	How the Audit Committee reviewed the matter and what decisions were made
Impairment testing of non-financial assets of the Group and the Company	<p>The Audit Committee considered the approach, methodology and inputs applied to the valuation model in assessing the impairment of non-financial assets of the Group and the Company. The Audit Committee concurred with the assessment of the Management and the valuer.</p> <p>The impairment of non-financial assets was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in the report for the financial year ended 31 December 2021. Please refer to page 57 to 58 of this Annual Report.</p>

The Company has outsourced its internal audit function to BDO LLP. The internal auditors report directly to the Chairman of the Audit Committee on audit matters and administratively to the CEO. The Audit Committee approves the hiring, removal, evaluation and compensation of the internal auditors.

CORPORATE GOVERNANCE REPORT

The internal auditors plan their audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the Audit Committee for approval prior to implementation. The Audit Committee reviews the activities of the internal auditors, and meets with the internal auditors at least once a year to approve their plans and to review their report for the prior reporting period. The Audit Committee also ensures that the internal auditors have the necessary resources to perform its functions adequately.

The Audit Committee has reviewed the adequacy and effectiveness of the internal audit function and is satisfied that the internal auditors are independent, adequately resourced, staffed with persons with the relevant qualifications and experience and have the appropriate standing within the Group to fulfil their mandate. The Audit Committee is also of the view that the internal auditors have unfettered access to all the Company's documents, records, properties and personnel including access to the Audit Committee.

The internal auditors have conducted their work in accordance with the standards set by nationally or internationally recognised professional bodies including the Standards of the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Provision 10.5

The Audit Committee meets, at a minimum, on a semi-annual basis. The Audit Committee held three meetings in FY2021, and has met thrice with the external auditors and the internal auditors, of which once was without the presence of the Management in FY2021.

Whistleblowing Policy

The Company has put in place a whistleblowing policy which sets out the procedures for employees and external parties to raise concerns or make a report on misconduct or wrongdoing relating to any entity in the Group or any of its officers and provisions for keeping the identity of the whistleblower confidential and protection of the whistleblower from reprisal as well as arrangements for independent investigations of such concerns or reports and for appropriate follow up actions to be taken. The existence of such policy has been communicated to the employees.

The policy establishes a confidential line of communication to report concerns about possible improprieties to the Audit Committee Chairman and ensures the independent investigation and follow-up of reports made in good faith. The contact details of the Audit Committee Chairman have been made available to employees in the Group. The Company will treat all information received confidentially and protect the identity of whistleblowers. Moreover, the Company is committed to ensuring protection of whistleblowers who have acted in good faith against reprisal and detrimental or unfair treatment.

The Audit Committee is responsible for the overall oversight and monitoring of the whistleblowing policy and its implementation. In particular, the Audit Committee reviews the whistleblowing policy from time to time and also reviews and considers all whistleblowing complaints to ensure independent, thorough investigation and appropriate follow-up actions. The outcome of each investigation is reported to the Audit Committee.

There was no whistleblowing report received in FY2021.

CORPORATE GOVERNANCE REPORT

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.

COMMUNICATION WITH SHAREHOLDERS

Provision 11.1

The rights of Shareholders are contained in the Company's Constitution and are also set out in applicable laws including the Companies Act 1967 ("**Companies Act**"). All Shareholders are treated fairly and equitably. Shareholders are also encouraged to participate in question and answer sessions during general meetings, to facilitate active and meaningful communication with the Management and the Board.

Shareholders are informed of all general meetings of the Company through notices contained in annual reports or circulars sent to all Shareholders. The Company complies with its Constitution and the Companies Act in respect of the requisite notice periods for convening general meetings. The notice of the general meeting is accompanied by the Company's annual report. The notice of an extraordinary general meeting is accompanied by a Circular. All notices of all general meetings are advertised in a national newspaper in Singapore as well as on SGXNet.

Details of the rules governing voting procedures are contained in the Company's Constitution and are set out under applicable law. Circulars sent to Shareholders also contain a notice on their cover page that if Shareholders are in any doubt to the action they should take, they should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

For FY2021, due to the COVID-19 outbreak and the circuit breaker put in place by the Singapore Government, the Company's last AGM on 28 April 2021 ("**2021 AGM**") and Extraordinary General Meeting ("**EGM**") on 8 July 2021 ("**2021 EGM**"), were held by way of electronic means, through "live webcast" and "audio-only means", pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("**COVID-19 Order**"). The notice of AGM and the notice of EGM were not published in the newspaper, but was instead disseminated to Shareholders through publication on SGXNet and the Company's corporate website, in accordance with the alternative arrangements for holding of the AGM and the EGM pursuant to the COVID-19 Order. The Company had also published a notice to Shareholders, together with the notice of AGM and the notice of EGM, detailing the alternative arrangements for the 2021 AGM and the 2021 EGM, during the COVID-19 pandemic.

Pursuant to Part 4 of the COVID-19 (Temporary Measures) Act 2020, a member of the Company (whether individual or corporate and including a relevant intermediary) entitled to vote at the AGM and the EGM must appoint the respective Chairmen of the AGM and the EGM to act as proxy and direct the vote at the AGM and the EGM. In appointing the respective Chairmen of the AGM and the EGM as proxy, a member (whether individual or corporate and including a relevant intermediary) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

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Provision 11.2

The resolutions tabled at the general meetings are on each substantially separate issue, unless the issues are interdependent and linked so as to form one significant proposal. If a scenario arises where the resolutions are inter-conditional, the Company will explain the reasons and material implications in the notice of meeting. The Company typically ensures that there are separate resolutions at general meetings on each distinct issue. Detailed information on each resolution is set out in the notice of the general meeting.

Provision 11.3

Shareholders are informed of and are given the opportunity to participate at general meetings of the Company. The Board and the Management are present at these meetings to address any questions that Shareholders may have. The Company's external auditors are also in attendance at the annual general meeting of the Company and are available to assist the Directors in addressing any relevant queries by Shareholders. In view of the Company's relatively modest Shareholder base, the ability of Shareholders to interact directly with the Board and the Management before, during and after each general meeting, the Board is of the view that Shareholders have sufficient opportunity to express their views and address their questions to the Board and the Management. For FY2021, all then Directors, namely, Mr Chua Kheng Choon (Chairman and CEO), Mr Koh Gim Hoe (Independent and Non-Executive Director), Mr Lim Swee Kwang (Independent and Non-Executive Director), Ms Leow Siew Yon, Cynthia (Independent and Non-Executive Director) and Mr Kelvin Lee Ming Hui (Independent and Non-Executive Director), were present at the 2021 AGM. Mr Chua Kheng Choon (Chairman and CEO), Mr Koh Gim Hoe (Independent and Non-Executive Director), Ms Leow Siew Yon, Cynthia (Independent and Non-Executive Director) and Mr Kelvin Lee Ming Hui (Independent and Non-Executive Director), were present at the EGM held on 8 July 2021 and 17 January 2022 respectively.

Shareholders participated in the 2021 AGM and the 2021 EGM via electronic means, voting by appointing the respective Chairmen of the 2021 AGM and the 2021 EGM as proxy, and their questions (if any) in relation to any resolution set out in the notice of AGM and the notice of EGM were sent to the Company in advance of the 2021 AGM and the 2021 EGM, and responses to the questions were provided via announcement on SGXNet and the Company's corporate website. The Company did not receive any question from Shareholders before the 2021 AGM held on 28 April 2021 and the 2021 EGM held on 8 July 2021.

Provision 11.4

The Company does not provide for absentia voting methods such as by mail, email, or fax due to concerns as to the integrity of such information and authentication of the identity of Shareholders voting by such means.

If Shareholders are not able to attend these meetings, they can appoint up to two (2) proxies to attend and vote in their place. Resolutions proposed at general meetings on a single substantively separate issue are proposed as a single item resolution. Pursuant to the Companies Act, a member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at general meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies. "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

CORPORATE GOVERNANCE REPORT

Provision 11.5

Minutes are taken of all general meetings, and where appropriate, include all substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting and the responses from the Board and the Management. Such minutes, which are subsequently approved by the Board, will be made available to Shareholders during office hours upon request. For the 2021 AGM and the 2021 EGM, the Company had published the minutes of the AGM and the EGM on its corporate website and the SGXNet within one month from the conclusion of the AGM and the EGM.

Provision 11.6

The Company does not have a formal policy on the payment of dividends. However, the Board is mindful of the need to reward Shareholders as and when the performance of the Group, its projected capital requirements, cash-flow and operating requirements, allow for the payment of dividends. The frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate. Taking into account the above factors, and the Group's recorded accumulated losses in FY2021, the Board has not recommended dividends to be paid in respect of FY2021.

ENGAGEMENT WITH SHAREHOLDERS

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

Provision 12.1

The general meetings of the Company is the principal forum for dialogue with Shareholders. The Company recognises the value of feedback from Shareholders. During the general meetings, Shareholders are given ample time and opportunities to sound their views and concerns. All the Directors will endeavour to attend general meetings of the Company and Shareholders will be given the chance and share their thoughts and ideas or ask questions relating to the resolutions to be passed or on other corporate and business issues.

The Company will put all resolutions to vote by poll at the general meetings and the detailed results of the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNet.

The Company believes in timely and accurate dissemination of information to its Shareholders. The Board makes every effort to comply with continuous disclosure obligations of the Company under the Catalist Rules and the Companies Act. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication to Shareholders is normally made through:-

- (a) annual reports that are prepared and issued to all Shareholders;
- (b) annual and half-year financial statements announcements containing a summary of the financial information and affairs of the Group for the period;

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- (c) notices and explanatory memoranda for general meetings;
- (d) disclosures to the SGX-ST via SGXNet; and
- (e) press/media releases.

Provisions 12.2 and 12.3

The Company does not have an Investors Relations Policy in place. Notwithstanding, the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNet on an immediate basis, in line with the Group's disclosure obligations pursuant to the Catalist Rules and Companies Act. There is no dedicated investor relations team in place as the Board was of the view that the current communication channels are sufficient and cost-effective.

MANAGING STAKEHOLDERS RELATIONSHIPS

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.

Provision 13.1

The Company has identified environment and future generations, employees, customers, suppliers and communities as material stakeholders who may materially impact or be directly impacted by the Group's activities. Therefore, the Company has arrangements in place to engage with these material stakeholders and manage its relationships with them.

Stakeholder relations are managed by the Corporate Sustainability Committee ("**CSC**") chaired by the Chief Executive Officer. Other members of the CSC include designated senior executives. Engagement includes regular and up-to-date communications on CSR policies and activities to our stakeholders. Stakeholders are encouraged to provide feedback (through the appropriate channels) on the Company's performance.

Provision 13.2

The Company's strategy and key areas of focus in relation to the management of stakeholder relationships during FY2021 were as follows:

- providing investors with relevant information about the Company and its activities and seeking their views on the Company's financial performance and activities;
- interacting with customers and suppliers regularly to better understand each other's concerns and needs and working with them to address these concerns and needs;
- communicating with the Group's employees in various ways to ensure that the Company knows their concerns and that they are aligned with the Company's strategies;

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- engaging the local communities where the Group operates and identifying and seeking to address their needs and concerns; and
- providing feedback to and complying with the regulations and policies of regulators.

Provision 13.3

To promote regular, effective and fair communication with Shareholders, the Company maintains a corporate website at www.metahealth.sg through which Shareholders are able to access up-to-date information on the Group.

MATERIAL CONTRACTS

No material contracts (including loans) were entered into between the Company or any of its subsidiaries involving the interests of any Director or controlling Shareholder, which are either subsisting at the end of the financial year reported on or, if not then subsisting, entered into since the end of the previous financial year except for Director's remuneration as disclosed in the Notes to the Financial Statements in this Annual Report.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that transaction with interested person are properly reviewed, approved and reported to the Audit Committee on a timely basis, and are conducted at arm's length basis and will not be prejudicial to the interest of the Company and its minority shareholders.

There were no interested person transactions which were more than S\$100,000 entered into in FY2021. The Group does not have a general mandate for recurrent interested person transactions.

NON-SPONSOR FEES

With reference to Rule 1204 (21) of the Catalist Rules, no non-sponsor fees were paid to the Company's Sponsor, ZICO Capital Pte. Ltd. in FY2021.

DEALING IN SECURITIES

The Company has issued an internal code on dealings in the Company's securities to the Directors and other officers (including officers with access to material non-public price-sensitive information) of the Group. The Directors and other officers are prohibited from dealing in the Company's securities at least one month before the announcement of the Group's half year and full year results until after the announcements were made. They are also advised not to deal in the Company's securities on short-term considerations and in circumstances where they have access to material non-public price-sensitive information. They are also advised to observe all applicable insider trading laws at all times even when dealing in securities within the permitted trading period.

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS

On 2 December 2021, the Group completed a placement of new shares to fifteen (15) places and raised net proceeds of \$3,263,235 (“**Net Proceeds**”). As at the date of this report, the utilisation of the Net Proceeds is as follows:

Use of Net Proceeds	Amount allocated (S\$'000)	Amount utilised as announced on 1 March 2022 ⁽¹⁾ (S\$'000)	Amount utilised from 2 March 2022 up to 31 March 2022 (S\$'000)	Balance as at 31 March 2022 (S\$'000)
To fund investments in the healthcare business and the e-commerce business	2,284	1,293	-	991
For general working capital requirements	979	397	141 ⁽¹⁾	441
Total Net Proceeds	3,263	1,690	141	1,432

Notes:

- (1) As announced on 1 March 2022, under Section F Note 11 of the Company's full year results announcement for FY2021.
- (2) The breakdown of the use of the Net Proceeds for general working capital purposes of the Group is as follows:

	S\$'000
Employee benefit expenses	51
Professional, investor relationship and consultation fees	90
Total	141

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION - APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Koh Gim Hoe, being the Director who is retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	Koh Gim Hoe
Date of first appointment	11 May 2016
Date of last re-appointment (if applicable)	25 June 2020
Age	70
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Koh Gim Hoe (" Mr Koh ") as the Lead Independent Non-Executive Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Koh's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Lead Independent Non-Executive Director, Chairman of the Audit Committee, and a member of the Remuneration Committee and the Nominating Committee.
Professional qualifications	Nil
Working experience and occupation(s) during the past 10 years	2017 - Present Executive Director, Singapore Precision Engineering and Technology Association 2015 - 2016 Business Advisor, Singapore Precision Engineering and Technology Association 2000 - 2015 Deputy Chief Executive Director, Armstrong Industrial Corporation Ltd
Shareholding interest in the listed Issuer and its subsidiaries	No

CORPORATE GOVERNANCE REPORT

Name of Director	Koh Gim Hoe	
Any relationship (including immediate family relationship) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	
Conflict of Interest (including any competing business)	Nil	
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	
Other Principal Commitments* Including Directorships#		
<p>*"Principal Commitments" has the same meaning as defined in the Code - "principal commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations.</p> <p># These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)</p>		
Past (for the last 5 years)	Nil	
Present	Nil	
<p>Disclose the following matters concerning an appointment of director, chief executive officer, general manager or other officer of equivalent rank. If the answer to any questions is "yes", full details must be given.</p>		
(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
(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
(c)	Whether there is any unsatisfied judgment against him?	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

CORPORATE GOVERNANCE REPORT

Name of Director		Koh Gim Hoe
(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
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(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
(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
(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
(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
(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
(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
(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
(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

CORPORATE GOVERNANCE REPORT

Name of Director	Koh Gim Hoe
Disclosure applicable to the appointment of Director only.	
Any prior experience as a director of an issuer listed on the Exchange? (Yes/No)	Not applicable. This is a re-election of a Director.
If yes, please provide details of prior experience.	
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.	Not applicable. This is a re-election of a Director.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribe by the Exchange (if applicable).	Not applicable. This is a re-election of a Director.

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION - APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Leow Siew Yon, Cynthia, being the Director who is retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	Leow Siew Yon, Cynthia
Date of first appointment	1 January 2021
Date of last re-appointment (if applicable)	28 April 2021
Age	41
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The re-election of Ms Leow Siew Yon, Cynthia ("Ms Leow") as Independent Non-Executive Director of the Company was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Ms Leow's qualifications, expertise, past experiences and overall contribution since she was appointed as a Director of the Company.</p> <p>The Board considers Ms Leow to be independent for the purpose of Rule 704(7) of the Catalist Rules.</p>
Whether appointment is executive, and if so, the area of responsibility	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Independent Non-Executive Director, Chairman of the Nominating Committee, and a member of the Audit Committee and the Remuneration Committee
Professional qualifications	Bachelor of Business (Finance), Charles Sturt University, Australia Associate, Chartered Secretaries Institute of Singapore
Working experience and occupation(s) during the past 10 years	<p><u>October 2019 to Present</u> Asgard Dss Pte. Ltd., Founder</p> <p><u>October 2015 to September 2018</u> Cresco Markets Pte. Ltd., Associate Director</p> <p><u>May 2012 to November 2014</u> Vistra Corporate Services (SEA) Pte. Ltd., Assistant Corporate Services Manager</p> <p><u>March 2011 to April 2012</u> Asiaciti Trust Singapore Pte. Ltd., Trust and Corporate Officer</p> <p><u>March 2009 to February 2011</u> Rajah & Tann LLP, Corporate Services Executive</p>

CORPORATE GOVERNANCE REPORT

Name of Director	Leow Siew Yon, Cynthia	
Shareholding interest in the listed Issuer and its subsidiaries	No	
Any relationship (including immediate family relationship) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	
Conflict of Interest (including any competing business)	Nil	
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	
Other Principal Commitments* Including Directorships#		
**"Principal Commitments" has the same meaning as defined in the Code – "principal commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations.		
# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)		
Past (for the last 5 years)	Confier Pte. Ltd.	
Present	Asgard Dss Pte. Ltd. Ironman Marketing Pte. Ltd.	
Disclose the following matters concerning an appointment of director, chief executive officer, general manager or other officer of equivalent rank. If the answer to any questions is "yes", full details must be given.		
(l)	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
(m)	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
(n)	Whether there is any unsatisfied judgment against him?	No

CORPORATE GOVERNANCE REPORT

Name of Director		Leow Siew Yon, Cynthia
(o)	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
(p)	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
(q)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(r)	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
(s)	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
(t)	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
(u)	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
(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
(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
(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
(v)	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

CORPORATE GOVERNANCE REPORT

Name of Director	Leow Siew Yon, Cynthia
Disclosure applicable to the appointment of Director only.	
Any prior experience as a director of an issuer listed on the Exchange? (Yes/No)	Ms Leow has no prior experience as a director of an issuer listed on the Exchange prior to her appointment in January 2021.
If yes, please provide details of prior experience.	-
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.	Ms Leow has attended Listed Entity Director Programme (“LED”) 1 to 8 conducted by the Singapore Institute of Directors, as prescribed under Practice Note 4D of the Catalist Rules.
Please provide details of relevant experience and the nominating committee’s reasons for not requiring the director to undergo training as prescribe by the Exchange (if applicable).	-

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

The directors submit this annual report to the members together with the audited consolidated financial statements of Meta Health Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2021.

In the opinion of the directors:

- (a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and
- (b) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of directors

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

Chua Kheng Choon (Chairman and Chief Executive Officer)

Koh Gim Hoe (Independent Director)

Leow Siew Yon, Cynthia (Independent Director) (appointed on 1 January 2021)

Kelvin Lee Ming Hui (Independent Director) (appointed on 10 April 2021)

Directors' interest in shares, debentures or share options

According to the register of directors' shareholdings kept by the Company under Section 164 of the Act, none of the directors who held office at the end of the financial year had any interest in the shares, debentures or share options of the Company or its related corporations, except as follows:

Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
As at 1.1.2021	As at 31.12.2021 #	As at 1.1.2021	As at 31.12.2021 #

The Company -

Number of ordinary shares

Chua Kheng Choon	27,737,666	7,737,666	6,735,000	6,735,000
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DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Directors' interest in shares, debentures or share options (Cont'd)

According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Employee Share Option Scheme as set out below and in the "Employee share option scheme" section of this statement.

	As at 1.1.2021	As at 31.12.2021 #
<u>The Company -</u>	<u>Number of unissued ordinary shares under option</u>	
Chua Kheng Choon	1,700,000	17,700,000
Koh Gim Hoe	-	3,000,000
Leow Siew Yon, Cynthia	-	1,000,000
Kelvin Lee Ming Hui	-	1,000,000

There were no changes to any of the above-mentioned director's interests in the Company between the end of the financial year and 21 January 2022.

Employee share option scheme

On 4 November 2003, the Company adopted the MCE Share Option Scheme ("MCE Scheme") which expired on or about 3 November 2013. At the Annual General Meeting of the Company on 25 April 2014, the MCE Share Option Scheme 2014 ("MCE Scheme 2014") was approved by the Company's shareholders ("Shareholders") to replace the MCE Scheme. The MCE Scheme 2014, which forms an integral component of its compensation plan, is designed with the following objectives:

- (i) to serve as an additional method available to the Group for compensating the participants rather than merely through salaries, salary increments and/or cash bonuses and to make remuneration sufficiently competitive to recruit and retain the participants;
- (ii) to enhance the Group's ability to retain and attract highly qualified participants whose contributions are important to the Group's long-term business plans and objectives;
- (iii) to offer participants the opportunity to acquire or increase their equity interests in the company and a chance to share in the profits of the Company as Shareholders;
- (iv) to motivate participants to maximise their performance and efficiency due to the possible financial rewards arising from the Options granted, and to maintain a high level of contribution to the Group and create value for Shareholders;
- (v) to promote greater commitment and dedication, instill loyalty and a stronger identification by the participants with the long-term development and growth plans of the Group; and
- (vi) to align the interests of the participants with those of the Shareholders.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Employee share option scheme (Cont'd)

Under the rules of the MCE Scheme 2014, all directors (including non-executive directors) and employees of the Group are eligible to participate in the MCE Scheme 2014. Directors and employees who are also controlling shareholders or associates of controlling shareholders are not eligible to participate in the MCE Scheme 2014 unless:

- (i) their participation; and
- (ii) the actual number of Shares to be issued to them and the terms of any Option to be granted to them, have been approved by independent Shareholders in general meeting in separate resolutions for each such person.

The total number of shares over which options may be granted shall not exceed 15% of the issued ordinary share capital of the Company on the day preceding the date of the relevant grant. The MCE Scheme 2014 is administered by the Company's Remuneration Committee, comprising Kelvin Lee Ming Hui, Koh Gim Hoe, and Leow Siew Yon, Cynthia, in accordance with the rules of the MCE Scheme 2014. The number of options to be offered to a participant shall be determined at the discretion of the Remuneration Committee who shall take into account criteria such as the rank, length of service and performance of the participant provided always that the maximum entitlement of any participant, in accordance with and during the operation of the MCE Scheme 2014, shall not exceed 20% in aggregate of the total number of shares which have been issued and may be issued by the Company pursuant to the exercise of options under the MCE Scheme 2014.

The subscription price for each share in respect of which an option is exercisable shall be determined by the Remuneration Committee at its absolute discretion and fixed by the Remuneration Committee:

- (i) at the prevailing market price of the Company's shares based on the average of the last dealt price per share determined by reference to the daily official list or other publication published by the SGX-ST for a period of five consecutive market days immediately preceding the relevant date of grant of such options ("Market Price"); or
- (ii) at a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price, the discount must have been approved by the Shareholders in a separate resolution.

Options must be exercised before the expiry of 10 years and 5 years from the date of grant for holders of options who are executive directors or employees and non-executive directors respectively. The vesting period is one year from date of grant.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Employee share option scheme (Cont'd)

Details of options granted to directors and employees under the MCE Scheme and the MCE Scheme 2014 are as follows:

Date of grant	Balance at 1.1.2021	Options granted	Options exercised	Options forfeited/ expired	Balance at 31.12.2021	Exercise price	Number of option holders at 31.12.2021	Exercise period
4.9.2013 ⁽ⁱ⁾	3,060,000	-	(40,000)	-	3,020,000	S\$0.050	6	4.9.2014 to 4.9.2023
22.6.2018 ⁽ⁱⁱ⁾	8,965,000	-	(3,890,000)	(440,000)	4,635,000	S\$0.034	21	22.6.2019 to 22.6.2028
30.6.2021 ⁽ⁱ⁾	-	31,203,500	-	(1,111,500)	30,092,000	S\$0.055	25	30.6.2022 to 30.6.2031
30.11.2021 ⁽ⁱ⁾	-	11,877,000	-	-	11,877,000	S\$0.055	5	30.11.2022 to 30.11.2031
	<u>12,025,000</u>	<u>43,080,500</u>	<u>(3,930,000)</u>	<u>(1,551,500)</u>	<u>49,624,000</u>			

⁽ⁱ⁾ For directors and employees

⁽ⁱⁱ⁾ For employees

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Employee Share Option Scheme (Cont'd)

The following table summarises information about share options of directors and employees (who received 5% or more of the total number of options) outstanding as at 31 December 2021:

	Options granted during the financial year ended 31.12.2021	Aggregate options granted since commencement of scheme to 31.12.2021	Aggregate options exercised since commencement of scheme to 31.12.2021	Aggregate options cancelled/lapsed since commencement of scheme to 31.12.2021	Aggregate options outstanding as at 31.12.2021
Directors:					
Chua Kheng Choon	16,000,000	17,700,000	-	-	17,700,000
Koh Gim Hoe	3,000,000	3,000,000	-	-	3,000,000
Leow Siew Yon, Cynthia	1,000,000	1,000,000	-	-	1,000,000
Kelvin Lee Ming Hui	1,000,000	1,000,000	-	-	1,000,000
	<u>21,000,000</u>	<u>22,700,000</u>	<u>-</u>	<u>-</u>	<u>22,700,000</u>
Other participants who received 5% or more of the total available options other than directors:					
Boon Che Kwang ⁽¹⁾	1,202,000	2,192,000	(990,000)	-	1,202,000
Mak Peng Leong Philip ⁽²⁾	2,019,000	3,174,000	-	-	3,174,000
Ng Chee Hong Darren ⁽³⁾	585,000	1,410,000	(825,000)	-	585,000
Rain Ding ⁽⁴⁾	1,202,000	1,642,000	-	-	1,642,000
Thanyarat Chanpet ⁽⁵⁾	468,000	1,128,000	-	-	1,128,000
	<u>5,476,000</u>	<u>9,546,000</u>	<u>(1,815,000)</u>	<u>-</u>	<u>7,731,000</u>
Other participants who received less than 5% of the total available options other than directors:					
Other employees	16,604,500	22,859,500	(2,115,000)	(1,551,500)	19,193,000
	<u>43,080,500</u>	<u>55,105,500</u>	<u>(3,930,000)</u>	<u>(1,551,500)</u>	<u>49,624,000</u>

⁽¹⁾ Boon Che Kwang holds the position of General Manager of MCE Technologies Sdn Bhd and MCE Thailand Co., Ltd, a subsidiary of the Company in Malaysia and Thailand, respectively.

⁽²⁾ Mak Peng Leong Philip holds the position of Chief Financial Officer of the Company.

⁽³⁾ Ng Chee Hong Darren holds the position of Group Quality Assurance Manager of the Company.

⁽⁴⁾ Rain Ding holds the position of General Manager of MCE Technologies (Suzhou) Co., Ltd, a subsidiary of the Company in China.

⁽⁵⁾ Thanyarat Chanpet holds the position of Finance Manager of MCT Thailand Co., Ltd, a subsidiary of the Company in Thailand.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Employee Share Option Scheme (Cont'd)

The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of the Company or any corporation in the Group.

There have been no options granted to the controlling shareholders of the Company or their associates. No employee, other than as disclosed above, has received 5% or more of the total number of options available under the MCE Scheme and the MCE Scheme 2014.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other related corporations.

There were no options granted at a discount under the MCE Scheme 2014 during the financial year ended 31 December 2021.

Audit Committee

At the date of this statement, the Audit Committee comprises the following members:

Koh Gim Hoe (Chairman)
Leow Siew Yon, Cynthia
Kelvin Lee Ming Hui

The Audit Committee performs the functions set out in Section 201B(5) of the Singapore Companies Act 1967, the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("Catalist Rules") and the Singapore Code of Corporate Governance 2018. In performing those functions, the Audit Committee reviewed the following:

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It also met with the Company's internal auditor to discuss the results of their examination and evaluation of the Group's system of internal accounting controls;
- (ii) the audit plan of the Company's external auditor and any recommendations on the Group's internal accounting controls arising from the statutory audit;
- (iii) the half-yearly financial information, the statement of financial position of the Company as at 31 December 2021 and the consolidated financial statements of the Group for the financial year ended 31 December 2021, as well as the auditor's report thereon;
- (iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditor;
- (v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Audit Committee (Cont'd)

- (viii) reviewed the nature and extent of non-audit services provided by the external auditor;
- (ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- (x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and
- (xi) interested person transactions (as defined in Chapter 9 of the Catalist Rules).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Corporate Governance Report.

In appointing our auditors for the Company and its subsidiaries, we have complied with Catalist Rules 712 and 715.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

.....
CHUA KHENG CHOON

.....
KOH GIM HOE

Dated: 11 April 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited (formerly known as Metal Component Engineering Limited)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meta Health Limited (formerly known as Metal Component Engineering Limited) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited (formerly known as Metal Component Engineering Limited)

Key Audit Matters (Cont'd)

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

As at 31 December 2021, the Group and the Company have the following significant non-financial assets:

The Group

- Property, plant and equipment of \$4,190,269 (Note 3) representing 9% of the Group's total assets
- Right-of-use assets of \$5,773,840 (Note 4) representing 13% of the Group's total assets
- Goodwill of \$4,465,500 (Note 7) representing 10% of the Group's total assets

The Company

- Investments in subsidiaries of \$22,629,176 (Note 6) representing 61% of the Company's total assets

As at the reporting date, the Group has impaired the plant and equipment and right-of-use assets amounting to \$318,918 (Note 3) and \$371,507 (Note 4) respectively.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited (formerly known as Metal Component Engineering Limited)

Key Audit Matters (Cont'd)

Our responses and work performed

Our audit procedures in relation to this area are reviewing:

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited (formerly known as Metal Component Engineering Limited)

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited (formerly known as Metal Component Engineering Limited)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited (formerly known as Metal Component Engineering Limited)

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

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

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants
Singapore

11 April 2022

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	The Group		The Company	
		2021 S\$	2020 S\$	2021 S\$	2020 S\$
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	4,190,269	5,565,606	54,584	73,256
Right-of-use assets	4	5,773,840	5,064,395	65,339	125,652
Other investment	5	2,024,850	-	-	-
Subsidiaries	6	-	-	22,629,176	16,146,166
Goodwill	7	4,465,500	-	-	-
Deferred tax assets	8	171,812	138,363	-	-
		16,626,271	10,768,364	22,749,099	16,345,074
Current Assets					
Inventories	9	4,189,972	3,516,863	-	-
Trade and other receivables	10	12,834,456	10,943,899	10,731,598	3,909,814
Prepayments	11	558,876	1,183,612	123,711	139,035
Cash and bank balances	12	10,270,271	4,265,481	3,670,303	2,227,310
		27,853,575	19,909,855	14,525,612	6,276,159
Assets of disposal group classified as held for sale	13	-	12,414,386	-	9,832,219
		27,853,575	32,324,241	14,525,612	16,108,378
Total assets		44,479,846	43,092,605	37,274,711	32,453,452
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	14	28,632,172	21,638,661	28,632,172	21,638,661
Reserves	15	(5,724,088)	(6,307,931)	(6,332,704)	(10,867,188)
Total equity attributable to owners of the Company		22,908,084	15,330,730	22,299,468	10,771,473
Non-controlling interest		67,005	-	-	-
		22,975,089	15,330,730	22,299,468	10,771,473
Non-Current Liabilities					
Borrowings	16	2,869,670	3,840,606	2,869,670	3,804,410
Lease liabilities	17	2,566,417	1,447,889	58,235	462,240
		5,436,087	5,288,495	2,927,905	4,266,650
Current Liabilities					
Borrowings	16	2,731,619	1,969,886	939,200	996,360
Lease liabilities	17	1,451,394	1,510,890	403,894	622,115
Trade and other payables	18	11,484,547	16,070,424	10,517,682	15,110,874
Provisions	19	126,844	135,071	-	-
Contract liabilities	20	238,861	382,840	186,562	330,244
Current tax payable		35,405	241	-	-
		16,068,670	20,069,352	12,047,338	17,059,593
Liabilities of disposal group classified as held for sale	13	-	2,404,028	-	355,736
		16,068,670	22,473,380	12,047,338	17,415,329
Total liabilities		21,504,757	27,761,875	14,975,243	21,681,979
Total equity and liabilities		44,479,846	43,092,605	37,274,711	32,453,452

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	2021 S\$	2020 S\$
Revenue	21	43,025,784	32,232,571
Other income	22	9,462,399	665,908
Raw materials and consumables used		(22,934,642)	(16,301,920)
Changes in inventories of finished goods and work in progress		447,926	(225,932)
Employee benefits expense	23	(12,569,191)	(10,197,024)
Depreciation of property, plant and equipment	3	(1,332,130)	(1,475,238)
Depreciation of right-of-use assets	4	(1,471,702)	(1,391,496)
Impairment losses on property, plant and equipment	3	(318,918)	-
Impairment losses on right-of-use assets	4	(371,507)	-
Impairment losses on trade receivables reversed	10	20,343	1,022
Other charges	24	(448,036)	(89,398)
Finance costs	25	(449,293)	(428,847)
Other operating expenses	26	(5,391,440)	(4,724,748)
Profit/(loss) before taxation		7,669,593	(1,935,102)
Taxation credit/(expense)	27	822	(24,552)
Profit/(loss) for the year		7,670,415	(1,959,654)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(82,621)	480,170
Cumulative income derecognised relating to disposal of group classified as held for sale	13	(7,359,576)	-
Other comprehensive (loss)/income for the year, net of tax		(7,442,197)	480,170
Total comprehensive income/(loss) for the year		228,218	(1,479,484)
Profit/(loss) attributable to:			
Owners of the Company		7,615,950	(1,959,654)
Non-controlling interest		54,465	-
		7,670,415	(1,959,654)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		173,753	(1,479,484)
Non-controlling interest		54,465	-
		228,218	(1,479,484)
Earnings/(loss) per share attributable to owners of the Company (Singapore cent)			
- Basic	28	1.84	(0.52)
- Diluted	28	1.82	(0.52)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Share capital	Share option reserve	Revaluation reserve	Foreign currency translation reserve	Statutory reserve	Other reserve	Accumulated losses	Total equity attributable to owners of the Company	Non-controlling interest	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Balance at 1 January 2020	21,638,661	120,042	7,206,075	(418,400)	1,944,142	-	(13,680,306)	16,810,214	-	16,810,214
Loss for the year	-	-	-	-	-	-	(1,959,654)	(1,959,654)	-	(1,959,654)
Other comprehensive income for the year	-	-	-	480,170	-	-	-	480,170	-	480,170
- Currency translation differences	-	-	-	480,170	-	-	-	480,170	-	480,170
Total comprehensive income/(loss) for the year	-	-	-	480,170	-	-	(1,959,654)	(1,479,484)	-	(1,479,484)
Contributions by and distributions to owners	-	-	-	-	-	-	4,939	-	-	-
- Expiry/Forfeiture of share options	-	(4,939)	-	-	-	-	4,939	-	-	-
- Share-based payment transactions	-	-	-	-	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	(4,939)	-	-	-	-	4,939	-	-	-
Transfer from statutory reserve	-	-	-	-	(1,388,018)	-	1,388,018	-	-	-
Cumulative income recognised directly in other comprehensive income in prior years relating to disposal group classified as held for sale (Note 13)	-	-	(7,206,075)	(153,501)	-	7,359,576	-	-	-	-
Balance at 31 December 2020	21,638,661	115,103	-	(91,731)	556,124	7,359,576	(14,247,003)	15,330,730	-	15,330,730

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Share capital	Share option reserve	Revaluation reserve	Foreign currency translation reserve	Statutory reserve	Other reserve	Accumulated losses	Company owners of the	Non-controlling interest	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Balance at 1 January 2021	21,638,661	115,103	-	(91,731)	556,124	7,359,576	(14,247,003)	15,330,730	-	15,330,730
Profit for the year	-	-	-	-	-	-	7,615,950	7,615,950	54,465	7,670,415
Other comprehensive income for the year	-	-	-	(82,621)	-	-	-	(82,621)	-	(82,621)
- Currency translation differences	-	-	-	(82,621)	-	-	-	(82,621)	-	(82,621)
- Cumulative income derecognised relating to disposal	-	-	-	-	-	(7,359,576)	-	(7,359,576)	-	(7,359,576)
Total comprehensive income/(loss) for the year	-	-	-	(82,621)	-	(7,359,576)	7,615,950	173,753	54,465	228,218
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-
- Share-based payment transactions	-	451,446	-	-	-	-	-	451,446	-	451,446
- Issuance of shares (Note 14)	6,817,897	-	-	-	-	-	-	6,817,897	-	6,817,897
- Exercise of share options	175,614	(41,356)	-	-	-	-	-	134,258	-	134,258
- Expiry/Forfeiture of share options	-	(4,648)	-	-	-	-	4,648	-	-	-
- Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	12,540	12,540
Transactions with owners in their capacity as owners	6,993,511	405,442	-	-	-	-	4,648	7,403,601	12,540	7,416,141
Balance at 31 December 2021	28,632,172	520,545	-	(174,352)	556,124	-	(6,626,405)	22,908,084	67,005	22,975,089

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Note	2021 S\$	2020 S\$
Cash Flows from Operating Activities			
Profit/(loss) before taxation		7,669,593	(1,935,102)
Adjustments for:			
Depreciation of property, plant and equipment	3	1,332,130	1,475,238
Depreciation of right-of-use assets	4	1,471,702	1,391,496
Equity-settled share-based payment transactions		451,446	-
Gain on disposal of subsidiary	22	(9,165,000)	-
Gain on disposal of property, plant and equipment	22	(13,241)	(78,685)
Impairment of property, plant and equipment	3	318,918	-
Impairment of right-of-use assets	4	371,507	-
Impairment losses on trade receivables reversed		(20,343)	(1,022)
Interest expense on borrowings	25	211,975	230,091
Interest expense on lease liabilities	25	237,318	198,756
Interest income	22	(29,445)	(5,503)
Write-down on inventories made/(reversed)	9,24,22	76,015	(23,910)
Operating profit before working capital changes		2,912,575	1,251,359
Changes in inventories		(744,927)	(88,651)
Changes in trade and other receivables		(1,739,112)	6,603
Changes in prepayments		600,904	881,864
Changes in trade and other payables		(596,357)	(1,031,203)
Changes in contract liabilities		(143,740)	(541,580)
Cash generated from operations		289,343	478,392
Income taxes paid		-	(217)
Net cash generated from operating activities		289,343	478,175
Cash Flows from Investing Activities			
Acquisition of unquoted equity investment	5	(1,000,000)	-
Acquisition of a subsidiary, net of cash acquired	6a	(3,761,000)	-
Deposit paid for acquisition of property, plant and equipment		(56,420)	-
Deposit paid for acquisition of unquoted equity investment		(441,714)	-
Interest received		29,445	5,503
Net proceeds from disposal of group classified as held for sale	6b	8,706,709	4,754,998
Proceeds from disposal of property, plant and equipment		25,804	139,098
Purchase of property, plant and equipment	3	(315,413)	(394,139)
Net cash generated from investing activities		3,187,411	4,505,460
Cash Flows from Financing Activities			
Changes in bank deposit pledged		(257)	(2,865)
Interest paid		(449,293)	(428,847)
Proceeds from issuance of shares		4,826,547	-
Proceeds from share option exercise		175,614	-
Proceeds from borrowings		6,247,360	15,117,403
Repayment of borrowings		(6,456,563)	(16,535,780)
Repayment of lease liabilities		(1,867,372)	(1,168,822)
Net cash generated from/used in financing activities		2,476,036	(3,018,911)
Net increase in cash and cash equivalents		5,952,790	1,964,724
Cash and cash equivalents at beginning of year		4,193,655	2,194,090
Exchange differences on translation of cash and cash equivalents		15,729	34,841
Cash and cash equivalents at end of year	12	10,162,174	4,193,655

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

Reconciliation of movements of liabilities to cash flows arising from financing activities, excluding equity items

	Lease liabilities S\$	Bank loans S\$	Bank deposit pledge S\$	Bank overdraft S\$	Bills payable to banks S\$	Total S\$
At 1 January 2020	3,863,424	4,463,634	111,206	136,117	2,765,235	11,339,616
Changes from financing cash flows						
- Proceeds from borrowings	-	6,599,040	-	-	8,518,363	15,117,403
- Repayment of borrowings	-	(6,094,880)	-	-	(10,440,900)	(16,535,780)
- Repayment of lease liabilities	(1,168,822)	-	-	-	-	(1,168,822)
- Change in bank deposit pledged	-	-	(2,865)	-	-	(2,865)
- Interest paid	(198,756)	(105,560)	-	(5,632)	(118,899)	(428,847)
Total changes from financing cash flows	(1,367,578)	398,600	(2,865)	(5,632)	(2,041,436)	(3,018,911)
Other changes						
- New lease liabilities	320,595	-	-	-	-	320,595
- Changes in bank overdraft	-	-	-	(136,117)	-	(136,117)
- Interest expense	198,756	105,560	-	5,632	118,899	428,847
- Lease modifications	(56,418)	-	-	-	-	(56,418)
Total liability-related other changes	462,933	105,560	-	(130,485)	118,899	556,907
At 31 December 2020	2,958,779	4,967,794	108,341	-	842,698	8,877,612
At 1 January 2021	2,958,779	4,967,794	108,341	-	842,698	8,877,612
Changes from financing cash flows						
- Proceeds from borrowings	-	80,000	-	13	6,167,347	6,247,360
- Repayment of borrowings	-	(1,123,297)	-	-	(5,333,266)	(6,456,563)
- Repayment of lease liabilities	(1,867,372)	-	-	-	-	(1,867,372)
- Change in bank deposit pledged	-	-	(257)	-	-	(257)
- Interest paid	(237,318)	(136,016)	-	(2,228)	(73,731)	(449,293)
Total changes from financing cash flows	(2,104,690)	(1,179,313)	(257)	(2,215)	760,350	(2,526,125)
Other changes						
- New leases liabilities	3,273,763	-	-	-	-	3,273,763
- Changes in bank overdraft	-	-	-	-	-	-
- Interest expense	237,318	136,016	-	2,228	73,731	449,293
- Lease modifications	(347,359)	-	-	-	-	(347,359)
Total liability-related other changes	3,163,722	136,016	-	2,228	73,731	3,375,697
At 31 December 2021	4,017,811	3,924,497	108,084	13	1,676,779	9,727,184

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

1 General information

The financial statements of Meta Health Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company is incorporated as a limited liability company and is domiciled in Singapore.

The Company is listed on the Catalist of the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 7030 Ang Mo Kio Avenue 5, #08-85 Northstar@AMK, Singapore 569880.

With effect from 17 January 2022, the name of the Company has changed from Metal Component Engineering Limited to Meta Health Limited.

The principal activities of the Company consist of investment holding and metal stamping and manufacturing of tools and fixtures. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

2(a) Basis of preparation

The financial statements are drawn up in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) (“SFRS(I)"). The financial statements have been prepared under the historical cost convention except as otherwise described in the notes below.

The financial statements are presented in Singapore dollar which is the Company’s functional currency. All financial information is presented in Singapore dollar, unless otherwise stated.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimates are revised and in any future periods affected. The areas involving significant judgement and critical accounting estimates and assumptions used are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(a) Basis of preparation (Cont'd)

Impact of COVID-19 pandemic

The ongoing and evolving pandemic has a significant impact on the global economy and the economies of the countries in which the Group has interests, namely China, Malaysia and Thailand. There is significant uncertainty as to the duration of the pandemic and its impact on these economies. In this regard, the consideration of COVID-19 has been made in the following areas:

- Revenue (Note 21);
- Assessment for impairment of non-financial assets (Notes 3, 4,5 and 7);
- Assessment for impairment of investment in subsidiaries (Note 6); and
- Allowance for expected credit losses on trade and other receivables (Note 10).

The significant accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

Significant judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Determination of indications of impairment of non-financial assets

Management assesses whether there are any indications of impairment of non-financial assets by reviewing internal and external factors/sources of information like economic, financial, industry, business etc affecting the assets. Where there are mixed indicators, management will exercise their judgement to determine, whether these events or circumstances indicate that the carrying amount may not be recoverable and accordingly the assets will be tested for impairment.

Classification of sale of scrap metals

Based on the nature of the Group's operations, scrap metals which are a critical and significant output of the Group's productions are sold as the Group's ordinary course of business activities. The Group considers the sale of scrap metals to be integral and not incidental to the main revenue-generating activities. Accordingly, the sale of scrap metals of S\$1,439,496 (2020: S\$829,400) is classified and presented as revenue in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(a) Basis of preparation (Cont'd)

Significant judgements in applying accounting policies (Cont'd)

Income taxes

The Group and the Company have exposure to income taxes in various jurisdictions. Significant judgement and estimates are involved in determining group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's and the Company's deferred tax assets and liabilities at the end of the reporting period and the Group's income taxes for the year are disclosed in Note 8 and Note 27 to the financial statements, respectively.

Key sources of estimation uncertainty

Depreciation of property, plant and equipment and right-of-use assets

The costs of property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated economic useful lives of the assets. The Group's business is capital intensive and the annual depreciation of property, plant and equipment and right-of-use assets forms a significant component of total costs charged to profit or loss. Management estimates the useful lives of property, plant and equipment and right-of-use assets to be within 3 to 30 years. In particular, management estimates the useful life of plant and machinery to be 5 to 10 years. The carrying amounts of the Group's and the Company's property, plant and equipment and right-of-use assets at the end of the reporting period are disclosed in Note 3 and Note 4 to the financial statements, respectively. The Group and the Company perform annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, maintenance programmes and technological developments could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. If depreciation on the Group's and the Company's property, plant and equipment increases/decreases by 10% from management's estimates, the Group's and the Company's results for the year will decrease/increase by S\$133,213 (2020: S\$147,524) and S\$4,036 (2020: S\$5,263), respectively. If depreciation on the Group's and the Company's right-of-use assets increases/decreases by 10% from management's estimates, the Group's and the Company's results for the year will decrease/increase by S\$147,170 (2020: S\$139,150) and S\$6,031 (2020: S\$6,031), respectively.

Property, plant and equipment and right-of-use assets are assessed at the end of each reporting period whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Such impairment loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(a) Basis of preparation (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Significant judgement and estimates by management are required in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by its market value based on comparable assets or the net present value of future cash flows which are estimated based on the continued use of the asset in the business; and (iii) the appropriate valuation techniques and inputs used in fair value measurement and the key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are extrapolated using a suitable growth rate and then discounted using an appropriate discount rate. Changing the assumptions selected by management to determine the level of impairment could materially affect the recoverable amount determined in the impairment test and as a result may potentially affect the Group's results. The carrying amounts of the Group's and the Company's property, plant and equipment and right-of-use assets at the end of the reporting period and the assumptions used to estimate the recoverable amounts are disclosed in Note 3 and Note 4 to the financial statements, respectively.

Impairment of subsidiaries

The Company assesses at the end of each reporting period whether there is any indication that the investments in subsidiaries may be impaired. If any indication exists, the investment in subsidiary is tested for impairment. The determination of the recoverable amount requires an estimation of the fair value less costs of disposal of the underlying assets or the value in use of the cash-generating units. Estimating the fair value less costs of disposal requires the Company to make an estimate of the expected selling prices or realisable amounts of the underlying assets and the estimated cash outflows to settle the obligations in respect of the underlying liabilities. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units, a suitable growth rate to extrapolate the future cash flows, and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amount of the Company's investments in subsidiaries at the end of the reporting period and the assumptions used to estimate value in use as the recoverable amount are disclosed in Note 6 to the financial statements.

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable values for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 9 to the financial statements. If the net realisable values of the inventories decrease/increase by 10% from management's estimates, the Group's results for the year will decrease/increase by S\$418,997 (2020: S\$351,686).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(a) Basis of preparation (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Impairment assessment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The Group recorded a goodwill of S\$4,465,500 on acquisition of Gainhealth Pte. Ltd. during the financial year ended 31 December 2021. The assessment of impairment of goodwill is determined based on the recoverable amount of the Group's smallest cash-generating units ("CGU"), at the business segment. Gainhealth Pte. Ltd. group is identified as the CGU ("Gainhealth CGU"). In performing the impairment assessment of the carrying amount of goodwill, the recoverable amount of the CGU is determined based on value-in-use calculations. The management uses judgement and estimates relying on market expectation to determine the value-in-use.

Impairment tests for cash-generating units containing goodwill

The assumptions for the value-in-use calculations are those regarding the discount rates, revenue growth rates, terminal growth rate and gross profit margin for the forecasted periods. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The revenue and terminal growth rates are estimated based on expected growth of CGU. Gross profit margin is based on expectations of future market changes.

The key estimates are in the following parameters:

- An increase of five percentage point in the discount rate used would decrease the VIU of Gainhealth CGU by \$2,436,000 but no impairment is required.
- A one percentage point decrease in future gross profit margin would decrease the VIU of Gainhealth CGU by \$479,000 but no impairment is required.
- An increase of five percentage point in the discount rate used and a one percentage decrease in future gross profit margin would decrease the VIU of Gainhealth CGU by \$2,797,000, but no impairment is required.

The carrying amount of goodwill as at 31 December 2021 amounted to \$4,465,500 (2020: S\$Nil) (Note 7).

Provision for expected credit losses of trade receivables

The Group and the Company use a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(a) Basis of preparation (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Provision for expected credit losses of trade receivables (Cont'd)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's and the Company'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 relating to ECLs on the Group's and the Company's trade receivables is disclosed in Note 33.1. If the loss rates increase/decrease by 10% from management's estimates, the Group's and the Company's allowance for impairment of trade receivables will increase/decrease by S\$1,152,993 (2020: S\$994,176) and S\$309,826 (2020: S\$324,825), respectively.

Valuation of unquoted equity investments

For unquoted equity investments (Note 5), the Group elects to measure these equity instruments at fair value through other comprehensive income ("FVOCI") due to the Group's intention to hold these equity instruments for long-term appreciation. As the acquisition of 10% equity investment in Adazal Private Limited was completed on 29 December 2021, the agreed purchase consideration represents the fair value. 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 agreed purchase consideration which approximate the fair value is based on management valuations using external valuers. Estimating the fair value is a complex process involving judgements and estimates regarding various inputs and underlying assumptions. This is due to the nature of the underlying assets comprising many categories of assets and liabilities recorded in the statement of financial position of the investee. The valuation of these investments involves the use of unobservable inputs. The valuations are sensitive to key assumptions applied in deriving the significant unobservable inputs.

2(b) Adoption of new and revised SFRS(I) effective in 2021

On 1 January 2021, the Group adopted the following SFRS(I) that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I).

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IFRS 16	<i>COVID-19 Related Rent Concessions</i>	1 June 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16	<i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021

The adoption of these new and amended SFRS(I) did not result in substantial changes to the Group's accounting policies or have any significant impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(c) New standards and interpretations not yet adopted

The following are the new or amended SFRS(I) and SFRS(I) INT issued that are not yet effective but may be early adopted for the current financial year. However, the Group has not early adopted the new or amended SFRS(I) and SFRS(I) INT in preparing these financial statements:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to SFRS(I) 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to SFRS(I) 3	Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-16	Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-37	Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022
<i>Annual Improvements to SFRS(I)s 2018–2020:</i>		
Amendment to SFRS(I) 1	Subsidiary as a First-time Adopter	1 January 2022
Amendment to SFRS(I) 9	Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	1 January 2022
Amendment to SFRS(I) 16	Lease Incentives	1 January 2022
Amendment to SFRS(I) 1-41	Taxation in Fair Value Measurements	1 January 2022
SFRS(I) 17	Insurance Contracts	1 January 2023
Amendments to SFRS(I) 1-1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 17	Insurance Contracts	1 January 2023
Amendments to SFRS(I) 4	Extension of the Temporary Exemption from Applying SFRS(I) 9	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to SFRS(I) 1-8	Definition of Accounting Estimates	1 January 2023
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) 17	Initial Application of SFRS(I) 17 and SFRS(I) 9 – Comparative Information	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Below are the relevant new or amended SFRS(I) that may affect the Group and the Company.

There is no material impact expected to the Group's and the Company's financial statements on initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(c) New standards and interpretations not yet adopted (Cont'd)

Amendments to SFRS(I) 16: Covid-19-Related Rent Concessions beyond 30 June 2021

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

Entities applying the practical expedient must disclose this fact, whether the expedient has been applied to all qualifying rent concessions, and the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

Amendments to SFRS(I) 1-16 Property, Plant and Equipment-Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. An entity shall recognise such sales proceeds and related costs in profit or loss and measure the cost of those items in accordance with SFRS(I) 1-2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly' and specify this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(c) New standards and interpretations not yet adopted (Cont'd)

Amendments to SFRS(I) 9 Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

The amendments clarify that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity shall include only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendments are applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendments. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to SFRS(I) 1-1 Classification of Liabilities as Current or Non-current

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on the rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise the right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets or services to the counterparty.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted

Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 Disclosure of Accounting Policies

The amendments will help to:

- improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and
- distinguish changes in accounting estimates from changes in accounting policies.

The amendments to SFRS(I) 1-1 require companies to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. However, accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. In addition, if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(c) New standards and interpretations not yet adopted (Cont'd)

Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 Disclosure of Accounting Policies (Cont'd)

In support of the amendments to SFRS(I) 1-1, amendments are also made to SFRS(I) Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures, and illustrate how an entity could judge whether information about an accounting policy is material to its financial statements

The amendments to SFRS(I) 1-1 are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The amendments to SFRS(I) Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations.

SFRS(I) 1-12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future.

In specified circumstances, companies are exempted from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's and the Company's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries 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.

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

- (i) power over the investee;
- (ii) exposure, or rights or variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with SFRS(I). Profits reflected in the financial statements prepared in accordance with SFRS(I) may differ from those reflected in the statutory financial statements of the subsidiaries prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the subsidiaries are based on the amounts stated in the statutory financial statements.

Business Combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises:

- the fair values of the assets transferred;
- the liabilities incurred to the former owners of the acquiree;
- the equity interests issued by the Group;
- the fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of acquiree's identifiable net assets.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising from acquisition of associates represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates is included in the carrying amount of the investments.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, or an associate, the attributable amount of goodwill is included in the determination of the gain or loss on disposal of the entity or the relevant cash generating unit

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Building improvements and renovations	3 to 5 years
Plant and machinery	5 to 10 years
Furniture and fittings	5 years
Office equipment	5 years
Computers	5 years
Motor vehicles	5 years

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation (Cont'd)

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is recognised in profit or loss from the month that the property, plant and equipment are installed and are available for use, and to the month of disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

Subsidiaries

In the Company's separate statement of financial position, subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes party to the contractual provisions of the financial instruments. Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial asset not at FVTPL, transaction costs. 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. Refer to the accounting policy on "Revenue from contracts with customers".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Initial recognition and measurement (Cont'd)

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Group does not hold any financial assets at FVOCI with recycling of cumulative gain/losses and at FVTPL.

Financial assets at amortised cost (debt instruments)

Subsequent measurement of debt instruments depends on the Group's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent SPPI 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.

The Group's financial assets at amortised cost comprise trade and other receivables (excluding net input tax) and cash and bank balances.

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Subsequent measurement (Cont'd)

Financial assets designated at FVOCI (equity instruments)

On initial recognition of an equity instruments that is not held for trading, the Group may irrevocably elect to present subsequent changes in FVOCI. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has an equity investment designated as financial asset at FVOCI (equity instruments).

Derecognition

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.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instrument financial assets carried at amortised cost and FVOCI. 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 (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

For trade receivables, the Group measures the loss allowance at an amount equal to lifetime ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

For other receivables and debt instruments at FVOCI, loss allowance is measured at an amount equal to 12-month ECLs. The 12-month ECLs are estimated by reference to the track record of the counterparties and their business and financial conditions, and also for debt instruments at FVOCI, the future prospects of the industries in which the issuers of these debt instruments obtained from economic expert reports, financial analyst reports and various external sources of actual and forecast economic information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

At the end of each reporting period, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

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.

Financial liabilities are recognised initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

The Group's financial liabilities comprise borrowings, lease liabilities and trade and other payables (excluding net output tax and provision for retirement benefits).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVTPL, such as interest-bearing borrowings, 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. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Borrowings

Borrowings which are due to be settled more than 12 months after the end of the reporting period are included in current borrowings in the statement of financial position if the loan facility agreements include an overriding repayment on demand clause which gives the lender the right to demand repayment at any time at its sole discretion and irrespective of whether a default event has occurred, or when the Group has defaulted or breached a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the borrowings become payable on demand, even if the lender agreed after the reporting period and before the authorisation of the financial statements for issue not to demand payment as a consequence of the breach. These borrowings are classified as current because, at the end of the reporting period, the Group does not have an unconditional right to defer its settlement for at least twelve months after that date.

However, those borrowings with breaches or defaults of loan agreement terms are classified as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the Group can rectify the breach and/or during which the lender cannot demand immediate repayment. Other borrowings due to be settled more than 12 months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

Borrowing costs are recognised in profit or loss using the effective interest method.

Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method. Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on finance leases).

Financial guarantees

The Company has issued corporate guarantees to banks for the borrowings of certain subsidiaries. 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 liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Subsequent measurement (Cont'd)

Financial guarantees (Cont'd)

Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of the loss allowance determined in accordance with the impairment model under SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from a customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability is recognised as revenue when the Group performs under the contract.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Cash and bank balances

Cash and bank balances comprise cash balances and bank deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Disposal group held for sale

The assets and liabilities of a disposal group are classified as held for sale and presented separately from other assets and liabilities, respectively, in the statements of financial position, and the disposal group is carried at the lower of carrying amount and fair value less costs to sell, if its carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss. Any cumulative income or expense recognised directly in equity relating to the disposal group classified as held for sale is presented separately as other reserve in the consolidated statement of changes in equity.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease (including extension option) unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee 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 asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liabilities are presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Properties	3 years
Plant and machinery	3 to 10 years
Office equipment	3 to 5 years
Motor vehicles	5 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Income taxes (Cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, provided they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

Employee benefits

Pension obligations

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. The subsidiaries in Malaysia, Thailand and the PRC are required to provide certain staff pension contributions to their employees under existing regulations. Pension contributions are provided at rates stipulated by the regulations and are contributed to pension funds managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The Company and its Singapore incorporated subsidiary make contributions to the Central Provident Fund, a defined contribution pension scheme regulated and managed by the Government of Singapore.

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to profit or loss in the period to which the contributions relate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Employee benefits (Cont'd)

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The subsidiary in Thailand operates a defined benefit pension plan according to the requirements of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service. The liability in respect of the defined benefit plan is the present value at the end of the reporting period, of the amount of future benefit that employees have earned in return for their service in the current and prior periods. The Group determines the present value of the defined benefit obligation with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Employee share option scheme

The Company has an employee share option plan for the granting of non-transferable options.

The Group issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve is credited to the share capital account when new ordinary shares are issued.

The share option reserve is transferred to retained earnings upon expiry of the options.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Related parties

A related party is defined as follows:

- a) A person or a close member of that person's family is related to the Group and the 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 the Company or of a parent of the Company.

- b) An entity is related to the Group and the Company if any of the following conditions 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 ventures of the same third party.
 - (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).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. Directors and certain management executives are considered key management personnel.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal and value in use, based on an internal discounted cash flow evaluation. Impairment loss recognised for a cash-generating unit is charged *pro rata* to the assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- A reversal of an impairment loss is recognised as income in profit or loss.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of reporting period.

Revenue from contracts with customers

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Revenue from contracts with customers (Cont'd)

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Sale of goods

The Group supplies components and tools to manufacturers, and medicine to customers. Revenue from the sale of goods is recognised at a point in time when the goods are delivered to the customer, all criteria for acceptance have been satisfied, and the customer obtains control of the goods, including the legal title to the goods and the significant risks and rewards of ownership of the goods.

Services rendered

The Group provides healthcare services to customers. Revenue from healthcare services is recognised at the point of time when service is completed.

Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Government grants

Government grant is recognised at its fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants received are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore dollar, which is also the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either other income or other expenses depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

Group entities

The results and financial positions of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of each reporting period;
- (ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and
- (iii) All resulting currency translation differences are recognised as other comprehensive income in the foreign currency translation reserve in equity.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO"), who is the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 29 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(d) Summary of significant accounting policies (Cont'd)

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3 Property, plant and equipment

The Group	Leasehold land and buildings (at revaluation)	Building improvements and renovations (at cost)	Plant and machinery (at cost)	Furniture and fittings (at cost)	Office equipment (at cost)	Computers (at cost)	Motor vehicles (at cost)	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<u>Cost or valuation</u>								
At 1 January 2020	11,789,304	3,267,080	36,012,321	218,787	635,899	2,251,042	194,471	54,368,904
Additions	-	64,385	301,720	227	5,750	22,057	-	394,139
Disposals	-	-	(200,523)	(1,176)	(19,981)	-	(43,575)	(265,255)
Transfer from right-of-use assets (Note 4)	-	-	59,135	-	-	-	-	59,135
Reclassified to disposal group held for sale (Note 13)	(12,369,039)	-	-	-	-	-	-	(12,369,039)
Exchange difference on translation	579,735	79,374	160,352	4,032	6,686	22,637	2,805	855,621
At 31 December 2020	-	3,410,839	36,333,005	221,870	628,354	2,295,736	153,701	43,043,505
Additions	-	36,406	192,855	33,288	7,710	45,154	-	315,413
Disposals	-	-	(70,711)	(1,077)	(867)	(21,778)	-	(94,433)
Business combination (Note 6a)	-	-	-	-	1,438	325	-	1,763
Exchange difference on translation	-	30,452	(324,610)	(2,555)	793	10,398	(5,486)	(291,008)
At 31 December 2021	-	3,477,697	36,130,539	251,526	637,428	2,329,835	148,215	42,975,240
<u>Accumulated depreciation and impairment</u>								
At 1 January 2020	-	1,843,930	31,552,964	175,068	457,074	1,878,997	146,653	36,054,686
Depreciation	-	375,320	883,833	27,900	29,326	156,673	2,186	1,475,238
Disposals	-	-	(145,516)	(783)	(19,929)	-	(38,615)	(204,843)
Exchange difference on translation	-	51,544	78,155	2,640	4,616	14,059	1,804	152,818
At 31 December 2020	-	2,270,794	32,369,436	204,825	471,087	2,049,729	112,028	37,477,899
Depreciation	-	364,867	767,078	26,362	28,904	142,886	2,033	1,332,130
Impairment of assets	-	84,288	213,415	12,390	8,825	-	-	318,918
Disposals	-	-	(58,356)	-	(897)	(21,504)	-	(80,757)
Exchange difference on translation	-	23,686	(282,110)	(2,953)	740	7,277	(9,859)	(263,219)
At 31 December 2021	-	2,743,635	33,009,463	240,624	508,659	2,178,388	104,202	38,784,971
Carrying amount								
At 31 December 2021	-	734,062	3,121,076	10,902	128,769	151,447	44,013	4,190,269
At 31 December 2020	-	1,140,045	3,963,569	17,045	157,267	246,007	41,673	5,565,606

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3 Property, plant and equipment (Cont'd)

The Company	Renovations S\$	Furniture and fittings S\$	Office equipment S\$	Computers S\$	Total S\$
<u>Cost</u>					
At 1 January 2020	8,180	1,430	56,051	1,288,721	1,354,382
Additions	-	-	-	16,129	16,129
At 31 December 2020	8,180	1,430	56,051	1,304,850	1,370,511
Additions	-	-	2,121	19,573	21,694
At 31 December 2021	8,180	1,430	58,172	1,324,423	1,392,205
<u>Accumulated depreciation</u>					
At 1 January 2020	2,727	1,430	48,564	1,191,904	1,244,625
Depreciation	2,727	-	3,376	46,527	52,630
At 31 December 2020	5,454	1,430	51,940	1,238,431	1,297,255
Depreciation	2,726	-	3,494	34,146	40,366
At 31 December 2021	8,180	1,430	55,434	1,272,577	1,337,621
<u>Carrying amount</u>					
At 31 December 2021	-	-	2,738	51,846	54,584
At 31 December 2020	2,726	-	4,111	66,419	73,256

Leasehold land and buildings of a wholly-owned subsidiary in the PRC, MCE Industries (Shanghai) Co., Ltd ("MCE Shanghai"), was reclassified to disposal group held for sale (Note 13) during the financial year ended 31 December 2020.

Leasehold land was related to the land use right acquired by MCE Shanghai under the Shanghai Municipal People's Government and related to the following parcel of land:

Location	Land area	Tenure
Qingpu District, Chonggu Town	25,000 square metres	50 years (commenced on 20 December 2006 and expiring on 19 December 2056)

The Group completed the sale of the subsidiary on 19 October 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3 Property, plant and equipment (Cont'd)

Impairment testing

For the financial year ended 31 December 2021

In view of the losses incurred by the business in Thailand, management has assessed that there are indications of impairment of plant and equipment and right-of-use assets of the branch at Samut Prakan identified as a CGU. Management plans to close the branch and have negotiated with a buyer who has agreed to purchase the identified plant and equipment and right-of-use asset with carrying amount of Thai Baht 23,254,717 (S\$941,627) and Thai Baht 3,233,739 (S\$130,940) respectively before impairment, for Thai Baht 10 million (S\$404,974).

Management has impaired the plant and equipment and right-of-use assets amounting to S\$318,918 and S\$371,507 (Note 4) respectively, based on the fair value less costs of disposal.

For the value less cost of disposal, the revalued net assets value is determined based on the fair value of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

For the financial year ended 31 December 2020

In view of the losses incurred by the business in Malaysia, management had assessed that there were indications of impairment of the related plant and equipment and right-of-use assets. Accordingly, they were tested for impairment.

The recoverable amount of the Malaysia cash-generating unit ("CGU") was determined by management from value in use calculations based on cash flow projections from formally approved financial budgets and forecasts covering a five-year period. The remaining useful life for the Malaysia CGU was estimated by management to be 5 years, based on the weighted average remaining useful lives of the assets in the CGU. The cash flows were discounted using a pre-tax discount rate of 15%. The discount rate reflected current market assessments of the time value of money and the risks specific to the CGU. No impairment loss was recognised for the financial year ended 31 December 2020 as the recoverable amount of the CGU was higher than the carrying amount as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4 Right-of-use assets

The Group	Properties S\$	Plant and machinery S\$	Office equipment S\$	Motor vehicles S\$	Total S\$
<u>Cost</u>					
At 1 January 2020	3,149,723	4,412,784	35,047	72,101	7,669,655
Additions	320,595	-	-	-	320,595
Transfer to property, plant and equipment (Note 3)	-	(59,135)	-	-	(59,135)
Lease modifications	(769,621)	-	-	-	(769,621)
Exchange difference on translation	31,602	(15,150)	680	(343)	16,789
At 31 December 2020	2,732,299	4,338,499	35,727	71,758	7,178,283
Additions	3,273,763	-	-	-	3,273,763
Lease modifications	(1,122,445)	(911)	-	-	(1,123,356)
Business combination (Note 6a)	95,471	-	-	-	95,471
Exchange difference on translation	(15,305)	(148,394)	(548)	(2,591)	(166,838)
At 31 December 2021	4,963,783	4,189,194	35,179	69,167	9,257,323
<u>Accumulated depreciation and impairment</u>					
At 1 January 2020	882,216	504,676	5,919	7,079	1,399,890
Depreciation	908,761	462,990	7,600	12,145	1,391,496
Lease modifications	(713,203)	-	-	-	(713,203)
Exchange difference on translation	18,638	17,107	18	(58)	35,705
At 31 December 2020	1,096,412	984,773	13,537	19,166	2,113,888
Depreciation	893,773	553,243	8,668	16,018	1,471,702
Impairment of assets	-	371,507	-	-	371,507
Lease modifications	(775,997)	-	-	-	(775,997)
Exchange difference on translation	348,978	(45,333)	(201)	(1,061)	302,383
At 31 December 2021	1,563,166	1,864,190	22,004	34,123	3,483,483
<u>Carrying amount</u>					
At 31 December 2021	3,400,617	2,325,004	13,175	35,044	5,773,840
At 31 December 2020	1,635,887	3,353,726	22,190	52,592	5,064,395

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4 Right-of-use assets (Cont'd)

The Company	Properties S\$
<u>Cost</u>	
At 1 January 2020 and 31 December 2020	185,965
Additions	-
At 31 December 2021	185,965
<u>Accumulated depreciation</u>	
At 1 January 2020	-
Depreciation	60,313
At 31 December 2020	60,313
Depreciation	60,313
At 31 December 2021	120,626
<u>Carrying amount</u>	
At 31 December 2021	65,339
At 31 December 2020	125,652

Properties relate to the Group's factory premises and the Company's office premises under leasing arrangements.

Details of the properties in the Group's right-of-use assets as at the reporting date are as follow:

Property name/ Location	Description/ Existing use	Gross floor area/ Land area	Tenure	The Group's effective equity interest
7030 Ang Mo Kio Avenue 5 Northstar@AMK #08-85 Singapore 569880	Office	3,767 sq.ft.	60 years leasehold from 2017	100%
No.25, Jalan Firma 1, Tebrau 1 Industrial Estate 81100 Johor Bahru	Entire land together with a factory-cum-office building guardhouse with a covered area and terrace erected	3,717 sqm	Leasehold	100%
No.7 Jalan Tampoi 7/4, Kawasan Perusahaan Jalan Tampoi, 81200 Johor Bahru.	Entire land together with a factory-cum-office building guardhouse with a covered area and terrace erected	8,389 sqm	Freehold	100%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4 Right-of-use assets (Cont'd)

Details of the properties in the Group's right-of-use assets as at the reporting date are as follow:

Property name/ Location	Description/ Existing use	Gross floor area/ Land area	Tenure	The Group's effective equity interest
138 Moo 4, Petchkasem Road, Saphang Sub-district, Khao Yoi District, Phetchaburi Province	Entire land together with a factory building	2,874 sqm	Freehold	100%
88/63, 64, 65 292 Moo 21, Bang Phli Yai Sub-district, Samut Prakan Province	Building	3,870 sqm	Freehold	100%
29#Dongfu Road , Suzhou Industry Park, Suzhou, Jiangsu province, China	Entire land together with a factory-cum-office building	6,357 sqm	50-year-lease-hold, (Commence from 24 June 2004)	100%
28#Dongfu Road , Suzhou Industry Park, Suzhou, Jiangsu province, China	Entire land together with a factory-cum-office building	6,083 sqm	50-year-lease-hold, (Commence from 12 July 2005)	100%
531 Ang Mo Kio Ave 10, #01-2447, Singapore 560531	Shop-lot	1,200 square feet	Leasehold	85.1%

As at 31 December 2021, the carrying amount of the Group's motor vehicles under hire purchase arrangement amounted to S\$35,044 (2020: S\$52,592).

For the financial year ended 31 December 2021, additions to right-of-use assets amounted to S\$3,273,763 (2020: S\$320,595), was acquired under leasing or hire purchase arrangements. There were no cash payments made for addition of right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4 Right-of-use assets (Cont'd)

During the financial year ended 31 December 2021, the Group has negotiated an existing lease contract for its factory premise through reducing the lease term and revising the annual lease payments. As this extension is not part of the original terms and conditions, it is accounted for as a lease modification whereby the lease liability is remeasured and the corresponding right-of-use asset is adjusted.

Information on the Group's leasing activities are disclosed in Note 30.

For the financial year ended 31 December 2021

Other than the business in Thailand as disclosed in Note 3, there were no indications of impairment in the right-of-use assets at the end of the reporting period.

For the financial year ended 31 December 2020

In view of the losses incurred by the business in Malaysia, management had assessed that there were indications of impairment of the related right-of-use assets. Accordingly, they were tested for impairment. Details of the impairment testing performed in respect of the Malaysia CGU was disclosed in Note 3.

5 Other investment

	2021	2020
	S\$	S\$
The Group		
Unquoted equity instruments at FVOCI*		
At beginning of the year	-	-
Addition	2,024,850	-
At end of the year	<u>2,024,850</u>	-

*Equity investments (designated as) at FVOCI

	The Group	
	2021	2020
	S\$	S\$
Non-current		
Unquoted equity shares		
- Adazal Private Limited – incorporated in Singapore	<u>2,024,850</u>	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

5 Other investment (Cont'd)

The unquoted equity shares represents investment in corporation which is engaged in online commerce activities, and comprises less than 20% ownership interests in the investee. These equity investments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate them as at FVOCI because the Group views that recognising short-term fluctuations in their fair value in profit or loss is not consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Fair value is disclosed in Note 36.

For the purpose of cash flow statement, purchase consideration attributable to non-cash items are as following:

<i>Purchase consideration</i>	S\$
Cash paid	1,000,000
Issuance of shares of the Company (Note 14)	1,024,850
	2,024,850

6 Subsidiaries

	2021	2020
	S\$	S\$
The Company		
<u>Unquoted equity investments, at cost</u>		
At 1 January	20,396,266	27,283,095
Increase in investment in a subsidiaries	6,483,010	2,803,347
Disposal within the Group	(232,003)	-
Reclassified to assets held for sale (Note 13)	-	(9,690,176)
At 31 December	26,647,273	20,396,266
<u>Allowance for impairment losses</u>		
At 1 January	4,250,100	9,679,289
Allowance reversed	(232,003)	(5,429,189)
At 31 December	4,018,097	4,250,100
Carrying amount	22,629,176	16,146,166

During the financial year ended 31 December 2021, the Company contributed additional capital of S\$404,160 (2020: S\$2,803,347) in its wholly-owned subsidiary in the PRC, MCE Technologies (Suzhou) Co., Ltd ("MCE Suzhou") and S\$6,078,850 (2020: S\$Nil) in 5Digital Pte Ltd.

The investment in MCE Industries (Shanghai) Co., Ltd has been reclassified to assets held for sale (Note 13).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6 Subsidiaries (Cont'd)

Impairment testing

For the financial year ended 31 December 2021

There were no indications of impairment of the investment in subsidiaries at the end of the reporting period.

For the financial year ended 31 December 2020

In view of the losses incurred by MCE Technologies Sdn Bhd ("MCE Malaysia"), and that the net assets of MCE Suzhou were lower than the carrying amount of the investment, management had assessed that there are indications of impairment of the investments in subsidiaries. Accordingly, they were tested for impairment.

The recoverable amounts of MCE Malaysia and MCE Suzhou were determined by management from value in use calculations based on cash flow projections from formally approved financial budgets and forecasts covering a five-year period. The cash flows of MCE Malaysia and MCE Suzhou for the subsequent years were extrapolated from the fifth-year cash flow using a 1% terminal growth rate, and discounted using a pre-tax discount rate of 15% and 17%, respectively. The discount rate reflected current market assessments of the time value of money and the risks specific to the CGUs. Based on the recoverable amounts, a reversal of impairment loss of S\$5,429,189 in respect of MCE Suzhou was recognised in the Company's profit or loss, while no impairment loss was recognised in respect of MCE Malaysia for the financial year ended 31 December 2020.

Details of the subsidiaries are:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2021 %	2020 %
<u>Held by the Company</u>				
5Digital Pte Ltd (fka Metal Precision Services Pte Ltd) ^(a)	Investment holding	Singapore	100	100
MCE Technologies Sdn Bhd ^(b)	Metal stamping and manufacturing of tools and fixtures	Malaysia	100	100
Gainhealth Digital Sdn Bhd (fka MCE Manufacturing Sdn Bhd) ^(b)	Dormant	Malaysia	(f)	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6 Subsidiaries (Cont'd)

Details of the subsidiaries are:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2021 %	2020 %
<u>Held by the Company (Cont'd)</u>				
MCT (Thailand) Co., Ltd. ^(c)	Metal stamping and manufacturing of tools and fixtures	Thailand	100	100
Metal Component Engineering (Shanghai) Co., Ltd ^(d)	Metal stamping and manufacturing of tools and fixtures (inactive)	People's Republic of China	100	100
Metal Component Technologies (Wuxi) Co., Ltd ^(d)	Metal stamping and manufacturing of tools and fixtures (inactive)	People's Republic of China	100	100
MCE Industries (Shanghai) Co., Ltd ^(d)	Metal stamping and manufacturing of tools and fixtures (inactive) (reclassified to assets held for sale)	People's Republic of China	-	(Note 13)
MCE Technologies (Suzhou) Co., Ltd ^(d)	Metal stamping and manufacturing of tools and fixtures	People's Republic of China	100	100
<u>Held by MCE Technologies (Suzhou) Co., Ltd</u>				
MCE Corporation (Shanghai) Co., Ltd ^(d)	Trading of tools, components, product assemblies and related products	People's Republic of China	100	100
<u>Held by 5Digital Pte Ltd</u>				
Gainhealth Pte Ltd ^(a)	Clinics and other general medical services	Singapore	85.1	-
<u>Held by Gainhealth Pte. Ltd.</u>				
Gainfood Pte Ltd ^(e)	E-commerce sales and retail sales of health supplement and food products	Singapore	60	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6 Subsidiaries (Cont'd)

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2021	2020
Held by Gainhealth Pte Ltd (Cont'd)			%	%
Gainhealth Digital Sdn Bhd (fka MCE Manufacturing Sdn Bhd) ^(b)	E-commerce for medication delivery services and health gain product	Malaysia	100 (f)	-

- (a) Audited by Foo Kon Tan LLP, a principal member firm of HLB International
 (b) Audited by HLB Ler Lum, Malaysia, a member firm of HLB International
 (c) Audited by Grant Thornton Limited, Thailand
 (d) Audited by RSM China
 (e) Incorporated on 11 November 2021, unaudited
 (f) Restructured under Gainhealth Pte Ltd

6(a) Acquisition of a subsidiary

On 13 July 2021, the Company had acquired 85.1% of equity interest in Gainhealth Pte Ltd ("Gainhealth"). This transaction has been accounted for by the acquisition method of accounting. The principal activity of Gainhealth is provide clinic and other general medical services. The Group had made the acquisition to step into healthcare segment.

The Group stepped into this health care segment believing in the growth potential of telemedicine and homecare services and sale of pharmaceutical and related nutritional products especially during the COVID-19 pandemic. As a result of the growth potential, the Group paid a goodwill in the acquisition of Gainhealth.

The Group has control of Gainhealth through its voting equity interest and board control.

For the six months ended 31 December 2021, Gainhealth contributed a net profit of S\$510,210 to the Group's results. If the acquisition had occurred on 1 January 2021, the net profit from Gainhealth would be S\$536,797.

Details of the consideration, assets acquired and liabilities assumed, non-controlling interests recognised and goodwill arising, and the effects on the cash flows of the Group are as follows:

<u>Purchase consideration</u>	S\$
Cash paid	3,769,000
Issuance of shares of the Company (Note 14)	754,000
	<u>4,523,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6 Subsidiaries (Cont'd)

6(a) Acquisition of subsidiary (Cont'd)

Identifiable assets acquired and liabilities assumed at fair value on 13 July 2021

S\$

Cash and cash equivalent	8,000
Property, plant and equipment	1,763
Right-of-use asset	95,471
Inventories	31,220
Receivables	202,600
Payables	(101,254)
Lease liability	(92,300)
Borrowings	(80,000)
Identifiable net assets acquired	65,500
Less: Non-controlling interest	(8,000)
	57,500

Goodwill arising from acquisition

Consideration transferred	4,523,000
Less: Fair value of identifiable net assets acquired, net of non-controlling interests	(57,500)
Goodwill arising from acquisition (Note 7)	4,465,500

Effect on cash flows of the Group

Cash consideration paid	(3,769,000)
Less: Cash and cash equivalents in acquiree	8,000
Net cash outflows on acquisition	(3,761,000)

The Group has elected to recognise the 14.9% non-controlling interests in Gainhealth based on its proportionate share in the recognised amounts of identifiable assets acquired and liabilities assumed of the acquiree.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6 Subsidiaries (Cont'd)

6(a) Acquisition of subsidiary (Cont'd)

Contingent consideration

Subject to Gainhealth's fulfilment of achieving valuation of S\$11,600,000 within 12 months from the completion of the acquisition on 13 July 2021 (the "Performance Target"), the Group has agreed to pay additional consideration of up to S\$5,100,000 to the vendors in the following manner:

- (a) up to S\$4,360,000 in cash; and
- (b) up to S\$740,000 by way of allotment and issuance of up to 20,000,000 new ordinary shares in the share capital of the Company (the "Performance Shares") to the vendors at an issue price per Performance Share to be determined at S\$0.037.

The Group has a 12-month measurement period from 13 July 2021 to determine if Gainhealth has met the Performance Target and the additional consideration is payable to the vendors. As at the date of this report, the Group has yet to determine if Gainhealth has met the Performance Target, hence unable to determine if the additional consideration is payable as at that date.

It is impractical to quantify the contingent consideration because Gainhealth was a 12-month old entity at the date of acquisition and the Group is waiting for further clarity on the developments of the business before performing a second valuation tentatively as of 28 February 2022. At the date of this report, the valuation is not completed yet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6 Subsidiaries (Cont'd)

Thus, the consideration and goodwill measured at the acquisition date are provisional as at 31 December 2021.

6(b) Disposal of subsidiary

On 19 October 2021, the Group disposed its wholly-owned subsidiary, MCE Industries (Shanghai) Co., Ltd which was classified as disposal group held for sale as at 31 December 2020.

	The Group 2021 \$
<i>Carrying amounts of net assets over which control was lost</i>	
Leasehold land and buildings	12,125,475
Other receivables	447,379
Cash and bank balances	157,071
Deferred tax liabilities	(2,402,025)
Trade and other payables	(413)
Revaluation reverse	(7,359,576)
Net assets derecognised	2,967,911
<i>Consideration received</i>	
Cash and cash equivalents	14,473,091
Total consideration received	14,473,091
<i>Gain on disposal</i>	
Total consideration received	14,473,091
Less: Net assets derecognised	(2,967,911)
Less: Cost of disposal	(2,340,180)
Gain on disposal (Note 22)	9,165,000
<i>Net cash inflows arising on disposal</i>	
Consideration received in cash and cash equivalents	14,437,091
Less: First tranche payment received in 2020	(4,754,998)
Less: Cash and cash equivalents disposed	(157,071)
Less: Professional fees	(818,313)
Net cash inflows arising on disposal, net	8,706,709

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

7 Goodwill

	2021	2020
<u>The Group</u>	S\$	S\$
<u>Cost</u>		
At beginning of year	-	-
Goodwill arising from acquisition	4,465,500	-
At end of year	4,465,500	-
<u>Allowance for impairment losses</u>		
At beginning and end of year	-	-
Net book value	4,465,500	-

Impairment testing

As at 31 December 2021, the carrying amount of goodwill is attributable to the Group's cash-generating unit ("CGU") comprising of Gainhealth Group ("Gainhealth CGU").

The recoverable amount of the CGU is determined based on VIU calculations. The VIU calculation is a discounted cash flow model using cash flow projections based on financial budget prepared by management covering a five-year period. Cash flows for the budgeted period were extrapolated using the estimated growth rate stated below. The growth rate does not exceed the long-term average growth rate in which the CGU operates.

No impairment loss is recognised for goodwill as the recoverable amount of the CGU is higher than the carrying amount as at 31 December 2021.

Key assumptions used for value-in-use calculations:

31 December 2021	Gainhealth CGU %
Gross profit margin ⁽¹⁾	46.5
Growth rate ⁽²⁾	48.9
Terminal growth rate ⁽³⁾	1.7
Discount rate ⁽⁴⁾	20.0

(1) Budgeted gross profit margin

(2) Compound annual growth rate

(3) Long term inflation rate

(4) Pre-tax discount rate applied to the pre-tax cash flow projections based on the weighted average cost of capital

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

8 Deferred taxation

	2021	2020
The Group	S\$	S\$
Deferred tax assets:		
At 1 January	138,363	163,007
Recognised in profit or loss (Note 27)	35,542	(24,536)
Exchange difference on translation	(2,093)	(108)
At 31 December	<u>171,812</u>	<u>138,363</u>
Deferred tax liabilities:		
At 1 January	-	(2,402,025)
Reclassified to disposal group held for sale (Note 13)	-	2,402,025
At 31 December	<u>-</u>	<u>-</u>
	<u>171,812</u>	<u>138,363</u>
<u>To be settled after one year</u>	<u>171,812</u>	<u>138,363</u>

The balance comprises tax on the following temporary differences:

	2021	2020
The Group	S\$	S\$
Unused tax losses	<u>171,812</u>	<u>138,363</u>

Unrecognised temporary differences relating to investments in subsidiaries

On 22 February 2008, the Ministry of Finance and the State Administration of Taxation of the PRC issued a joint circular Caishui [2008] No. 1 which states that the distribution of dividends after 1 January 2008 from profits derived before 1 January 2008 will be exempted from withholding tax on distribution to non-resident shareholders. Whereas, dividends distributed out of profits generated thereafter, shall be subject to Enterprise Income Tax ("EIT") at 10% and withheld by foreign invested enterprises, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Detailed Implementation Regulations. Non-resident shareholders in countries under double tax treaty with the PRC may enjoy a reduced withholding tax at 5% if certain conditions are met.

Accordingly, there were no deferred tax liabilities arising from undistributed profits of the PRC subsidiaries accumulated up till 31 December 2007 (the "exemption period"). After the exemption period, deferred tax liabilities would be required to the extent per SFRS(I) 1-12 *Income Taxes* on profits accumulated from 1 January 2008.

No deferred tax liabilities have been recognised for withholding tax that would be payable on undistributed earnings of the subsidiaries in the PRC as the Group has control over any distribution and has determined that portion of the undistributed earnings of the subsidiaries will not be distributed in the foreseeable future.

At the end of the reporting period, there are no undistributed earnings of the subsidiaries in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

8 Deferred taxation(Cont'd)

Unrecognised temporary differences relating to unused tax losses and credits

Deferred tax assets have not been recognised in respect of the following items:

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Unused tax losses	17,156,213	21,540,955	8,666,039	8,178,956
Unabsorbed capital allowances	1,738,767	1,721,764	1,738,657	1,721,764
	18,894,980	23,262,719	10,404,696	9,900,720
Tax effect on above temporary differences	3,805,971	4,985,959	1,768,798	1,683,122

The unused tax losses and unabsorbed capital allowances are allowed to be carried forward and used to offset against future taxable profits of the Company and its subsidiaries in which the items arose, subject to agreement by the relevant tax authorities and compliance with the applicable tax regulations in the respective countries in which the Company and its subsidiaries operate. Deferred tax assets have not been recognised in respect of these items due to the uncertainty whether future taxable profits will be available against which the Company and its subsidiaries can utilise the benefits.

The above unused tax losses and unabsorbed capital allowances have no expiry date under the respective tax jurisdictions, except for the following amounts of unused tax losses:

The Group	2021 S\$	2020 S\$
Expiring in:		
- 2021	-	2,747,195
- 2022	4,117,533	8,424,053
- 2023	2,402,730	771,831
- 2024	47,132	56,829
	6,567,395	11,999,908

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

9 Inventories

	2021	2020
The Group	S\$	S\$
Raw materials (at cost)	1,700,233	1,475,050
Work in progress (at cost)	1,332,022	1,627,895
Finished goods (at net realisable value)	1,157,717	413,918
	4,189,972	3,516,863

The costs recognised as expense for raw materials and consumables together with changes in finished goods and work in progress in the consolidated statement of profit or loss amounted to S\$22,486,716 (2020: S\$16,527,852) for the financial year ended 31 December 2021.

Inventories are stated at the lower of cost and net realisable value, after allowance for write-down of certain inventories to net realisable value.

Inventories are expected to be recovered within twelve months from the reporting date

The movement in allowance for write-down of inventories is as follows:

	2021	2020
	S\$	S\$
At 1 January	841,560	864,201
Allowance made (Note 24)	76,015	-
Allowance reversed (Note 22)	-	(23,910)
Exchange difference on translation	(11,745)	1,269
At 31 December	905,830	841,560

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

10 Trade and other receivables

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Trade receivables				
- third parties	11,541,580	9,973,762	1,781,703	1,092,754
- subsidiaries	-	-	2,821,036	7,504,688
	11,541,580	9,973,762	4,602,739	8,597,442
Less: Allowance for impairment losses				
- third parties	(11,657)	(32,000)	(11,657)	(32,000)
- subsidiaries	-	-	(238,361)	(5,317,188)
	(11,657)	(32,000)	(250,018)	(5,349,188)
	11,529,923	9,941,762	4,352,721	3,248,254
Amounts due from subsidiaries (non-trade)	-	-	12,489,830	2,923,095
Less: Allowance for impairment losses	-	-	(6,242,131)	(2,602,940)
	-	-	6,247,699	320,155
Deposits	1,045,932	527,494	16,290	16,370
Other receivables	213,127	434,672	93,198	286,110
Financial assets at amortised cost	12,788,982	10,903,928	10,709,908	3,870,889
Input taxes, net	45,474	39,971	21,690	38,925
Total	12,834,456	10,943,899	10,731,598	3,909,814

As at 1 January 2021, the Group's and the Company's gross trade receivables related to revenue from contracts with customers due from third parties amounted to S\$9,973,762 (2020: S\$9,978,199) and S\$1,092,754 (2020: S\$2,243,376), respectively.

The Group and the Company have factored trade receivables with an aggregate carrying amount of S\$2,030,374 (2020: S\$1,053,373) and S\$Nil (2020: S\$Nil), respectively, to banks in exchange for cash at the end of the reporting period (Note 16.3). The Group and the Company have retained their rights to receive cash flows from the trade receivables and all risks and rewards in respect of the trade receivables. The transactions have been accounted for as secured borrowings (bills payable to banks) as the banks have full recourse to the Group and the Company in the event of default by the debtors.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

10 Trade and other receivables (Cont'd)

The movement in allowance for impairment losses in respect of trade receivables is as follows:

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
At 1 January	32,000	189,577	5,349,188	6,191,644
Allowance reversed	(20,343)	(1,022)	(5,099,170)	(842,456)
Allowance utilised	-	(161,918)	-	-
Exchange difference on translation	-	5,363	-	-
At 31 December	11,657	32,000	250,018	5,349,188

Trade receivables that have been determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties or have defaulted on payments. These trade receivables are not secured by any collateral or credit enhancements.

The allowance for impairment loss in respect of the Company's trade receivables mainly relates to a trade balance due from a subsidiary which has been credit-impaired.

The non-trade amounts due from subsidiaries, which represent advances to and payments on behalf of the subsidiaries, are unsecured, interest-free and repayable on demand.

The movement in allowance for impairment losses in respect of non-trade amounts due from subsidiaries is as follows:

	2021 S\$	2020 S\$
The Company		
At 1 January	2,602,940	1,916,491
Allowance made	3,639,191	686,449
At 31 December	6,242,131	2,602,940

The allowance for impairment losses relates to non-trade amounts due from certain subsidiaries which have been credit-impaired. Accordingly, an allowance of S\$3,639,191 (2020: S\$686,449) was made by the Company to impair the non-trade amounts due from these subsidiaries as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

10 Trade and other receivables (Cont'd)

Trade and other receivables (excluding input taxes) are denominated in the following currencies:

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Singapore dollar	1,866,600	92,658	4,612,150	846,739
Malaysian ringgit	617,871	343,677	-	3,247
Renminbi	4,271,882	3,960,095	2,866,871	206,862
Thai baht	2,741,571	3,086,883	-	-
United States dollar	3,291,058	3,420,615	3,230,887	2,814,041
	12,788,982	10,903,928	10,709,908	3,870,889

The Group and the Company generally extend credit period of 45 to 90 days (2020: 45 to 90) to customers, depending on the length of business relationship, payment history, background and financial strength of the customers. The Group and the Company actively review the trade receivable balances and follow up on outstanding debts with the customers.

The credit risk for net trade receivables from third parties based on the information provided to key management is as follows:

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
<u>By geographical area</u>				
Southeast Asia	5,706,636	3,926,357	1,341,770	700,868
China	5,491,454	5,680,378	96,441	24,859
North America	287,350	311,827	287,350	311,827
Others	44,483	23,200	44,485	23,200
	11,529,923	9,941,762	1,770,046	1,060,754

Trade and other receivables that are neither past due nor impaired relate to creditworthy debtors with a good payment record with the Group and the Company.

11 Prepayments

Prepayments mainly relate to payments made to tooling suppliers in advance for goods and services which have not yet been received.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12 Cash and bank balances

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Cash in banks	10,258,226	4,289,430	3,668,803	2,225,810
Cash on hand	12,045	12,566	1,500	1,500
	10,270,271	4,301,996	3,670,303	2,227,310
Reclassified to disposal group held for sale (Note 13)	-	(36,515)	-	-
	10,270,271	4,265,481	3,670,303	2,227,310

Bank deposit of S\$108,084 (2020: S\$108,341) for the Group was pledged as security in respect of a bank loan (Note 16.1).

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2021 S\$	2020 S\$
The Group		
Cash and bank balances	10,270,271	4,301,996
Less: Bank overdraft (Note 16.2)	(13)	-
Less: Bank deposit pledged	(108,084)	(108,341)
	10,162,174	4,193,655

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Singapore dollar	2,428,599	926,695	283,639	914,538
Malaysian ringgit	705,815	405,680	-	-
Renminbi	2,024,757	781,135	-	-
Thai baht	1,082,817	533,579	-	-
United States dollar	4,028,283	1,618,392	3,386,664	1,312,772
	10,270,271	4,265,481	3,670,303	2,227,310

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

13 Disposal group classified as held for sale

On 28 January 2020, the Company entered into a conditional sale and purchase agreement with Hong Sheng Holding (Singapore) Pte. Ltd. (the “Buyer”) for the proposed sale of 100% equity interest in MCE Industries (Shanghai) Co., Ltd (“MCE Shanghai”). MCE Shanghai owns leasehold land and buildings, amounting to S\$12,369,039 (Note 3) as at 31 December 2020. The leasehold land and buildings have been vacant after the closure of MCE Shanghai’s manufacturing plant in October 2017 and MCE Shanghai has been inactive since.

The aggregate consideration amounted to RMB 75.5 million (S\$14.95 million) to be received in three tranches, of which the First Tranche of RMB 25 million (S\$4.75 million) was received on 13 March 2020. Upon the receipt of the release certificate of MCE Shanghai’s letter of guarantee and the release certificate of the property’s mortgage from MCE Shanghai’s bank, the Buyer shall pay RMB 37 million (S\$7.52 million) (“Second Tranche”) to the Company. Upon the receipt of the equity transfer change registration certificate of MCE Shanghai from the Company, the Buyer shall pay RMB 13.5 million (S\$2.68 million) (“Third Tranche”) to the Company. The Group, through the wholly-owned subsidiary in the PRC, MCE Technologies (Suzhou) Co., Ltd, received the Second Tranche from the Buyer on 1 February 2021.

Accordingly, in the previous financial year, the disposal group in respect of MCE Shanghai, which was previously reported in the China segment, was classified as held for sale.

There was no impairment loss arising on the remeasurement of the disposal group to the lower of its carrying amount and fair value less costs to sell.

MCE Shanghai was not a discontinued operation as it was inactive and did not represent a separate major line of business or geographical area of operations.

The Group received the Third Tranche on 19 October 2021 and accordingly completed the sale of the subsidiary on 19 October 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

13 Disposal group classified as held for sale (Cont'd)

The disposal group comprised the following assets and liabilities of the Group:

The Group	Note	2020 S\$
<u>Assets</u>		
Leasehold land and buildings	3	12,369,039
Other receivables		2,611
Prepayments		6,221
Cash and bank balances	12	36,515
Assets classified as held for sale		12,414,386
<u>Liabilities</u>		
Deferred tax liabilities	8	(2,402,025)
Other payables and accruals		(2,003)
Liabilities classified as held for sale		(2,404,028)
Net assets classified as held for sale		10,010,358

Cumulative income recognised directly in other comprehensive income in prior years relating to disposal group classified as held for sale

- Revaluation reserve	7,206,075
- Foreign currency translation reserve	153,501
	7,359,576

The Company

<u>Assets</u>		
Subsidiary	6	9,690,176
Amounts due from subsidiary		142,043
Assets classified as held for sale		9,832,219
<u>Liabilities</u>		
Amounts due to subsidiary		(355,736)
Liabilities classified as held for sale		(355,736)
Net assets classified as held for sale		9,476,483

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14 Share capital

	The Group and the Company			
	No. of ordinary share		Amount	
	2021	2020	2021 \$'000	2020 \$'000
Issued and fully paid:				
At 1 January	374,119,000	374,119,000	21,638,661	21,638,661
Issuance of shares pursuant to new subscriptions				
On 20 April 2021	26,455,026	-	776,399	-
On 13 July 2021	13,000,000	-	754,000	-
On 14 July 2021	5,743,243	-	212,500	-
On 30 July 2021	14,477,018	-	776,913	-
On 2 December 2021	66,530,000	-	3,281,235	-
On 29 December 2021	20,704,036	-	1,016,850	-
	146,909,323	-	6,817,897	-
Exercise of share options during financial year ended 31 December 2021	3,930,000	-	175,614	-
At 31 December	524,958,323	374,119,000	28,632,172	21,638,661

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

Issuance of shares

- On 20 April 2021, the Company issued 26,455,026 new ordinary shares at S\$0.03024 amounting to S\$800,000 pursuant to the placement agreement of 4 April 2021 entered into by the Company with six (6) laces. The net proceeds is S\$776,399 after deducting cost of issuance.
- On 13 July 2021, the Company issued 13,000,000 new ordinary shares at S\$0.058 amounting to S\$754,000 to the Vendors, for the acquisition of Gainhealth Pte Ltd. (Note 6)
- On 14 July 2021, the Company issued 5,743,243 new ordinary shares at S\$0.037 amounting to S\$212,500 in accordance with the Arranger Fee Agreement entered into pursuant to the acquisition of Gainhealth Pte Ltd.
- On 30 July 2021, the Company issued 14,477,018 new ordinary shares at S\$0.05526 amounting to S\$800,000 pursuant to the placement agreement of 12 July 2021 entered into by the Company with five (5) laces. The net proceeds is S\$776,913 after deducting cost of issuance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14 Share capital (Cont'd)

Issuance of shares (Cont'd)

5. On 2 December 2021, the Company issued 66,530,000 new ordinary shares at S\$0.0495 amounting to S\$3,293,235 pursuant to the placement agreement of 16 November 2021 entered into by the Company with fifteen (15) laces. The net proceeds is S\$3,281,235 after deducting cost of issuance.
6. On 29 December 2021, the Company issued 20,704,036 new ordinary shares at S\$0.0495 amounting to S\$1,024,850 to partly satisfy the consideration for the acquisition of Azadal Private Limited. The net proceeds is S\$1,016,850 after deducting cost of issuance. (Note 5)
7. During the financial year ended 31 December 2021, the Company allotted and issued 3,930,000 new ordinary shares to employees upon the exercise of share options under the MCE Share Option Scheme 2003 and the MCE Share Option Scheme 2014. The net proceed is S\$175,614 after deducting cost of issuance.

There were no outstanding convertibles, treasury shares and subsidiary holdings as at 31 December 2021 and 31 December 2020.

15 Reserves

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Share option reserve	520,545	115,103	520,545	115,103
Foreign currency translation reserve	(174,352)	(91,731)	-	-
Statutory reserve	556,124	556,124	-	-
Other reserve	-	7,359,576	-	-
Accumulated losses	(6,626,405)	(14,247,003)	(6,853,249)	(10,982,291)
	(5,724,088)	(6,307,931)	(6,332,704)	(10,867,188)

Share option reserve

Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

Foreign currency translation reserve

Foreign currency translation reserve arises from the translation of financial statements of foreign entities whose functional currencies are different from the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

15 Reserves (Cont'd)

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, each subsidiary in the PRC is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory net profit for each year, as determined in accordance with the applicable PRC accounting standards and regulations, must be allocated to the SRF until the cumulative total of the SRF reaches at least 50% of the registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital. The SRF is not available for dividend distribution to owners. The directors have decided that 10% of the net profit, as reported in the statutory financial statements of the PRC subsidiaries, be appropriated each year to the SRF.

Other reserve

Other reserve relates to the cumulative income or expense recognised directly in other comprehensive income relating to the disposal group classified as held for sale (Note 11).

16 Borrowings

		The Group		The Company	
		2021	2020	2021	2020
		S\$	S\$	S\$	S\$
Non-current					
Bank loans	16.1	2,869,670	3,840,606	2,869,670	3,804,410
Current					
Bank loans	16.1	1,054,827	1,127,188	939,187	996,360
Bank overdraft	16.2	13	-	13	-
Bills payable to banks	16.3	1,676,779	842,698	-	-
		2,731,619	1,969,886	939,200	996,360
		5,601,289	5,810,492	3,808,870	4,800,770

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

16 Borrowings (Cont'd)

16.1 Bank loans

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Short-term bank loans				
- secured (a)	80,000	-	-	-
	80,000	-	-	-
Long-term bank loans				
- secured (b)	3,844,497	4,967,794	3,808,870	4,800,770
	3,844,497	4,967,794	3,808,870	4,800,770
Represented by:				
Current	1,054,827	1,127,188	939,200	996,360
Non-current	2,869,670	3,840,606	2,869,670	3,804,410
	3,924,497	4,967,794	3,808,870	4,800,770

Bank loans comprise the following:

- Short-term bank loans with interest rates of 2.5% per annum, secured by personal guarantee of a Director of a subsidiary of the Company, Miss Jagannathan Padmaja Sakthi.
- Long-term bank loans, comprising S\$3,808,870 (2020: S\$4,800,770) with an interest rate of 3% per annum repayable in 60 monthly instalments, secured by corporate guarantee from the Company, and S\$35,627 (2020: S\$167,024) with an interest rate of 5.82% (2020: 5.82%) per annum repayable in 33 monthly instalments, secured by bank deposit of S\$108,084 (2020: S\$108,341) and corporate guarantee from the Company.

16.2 Bank overdraft

	2021 S\$	2020 S\$
The Group and the Company		
Current – Bank overdraft (secured)	13	-

The bank overdraft as at 31 December 2021 bore interest at 8.25% per annum and was secured through a corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

16 Borrowings (Cont'd)

16.3 Bills payable to banks

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
<u>Current</u>				
Bills payable to banks (secured)	1,676,779	842,698	-	-
	1,676,779	842,698	-	-

The bills payable to banks bear interest at variable rates ranging from 4.0% to 5.54% (2020: 4.07% to 5.54%) per annum for the Group.

The Group's bills payable to banks of S\$1,676,779 (2020: S\$842,698) are secured through a corporate guarantee from the Company and/or certain trade receivables of the Group with an aggregate carrying amount of S\$2,030,374 (2020: S\$1,053,373) (Note 10).

16.4 Currency risk

Borrowings are denominated in the following currencies:

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Singapore dollar	3,888,870	4,800,770	3,808,870	4,800,770
Malaysian ringgit	298,039	493,063	-	-
Thai baht	1,414,380	516,659	-	-
	5,601,289	5,810,492	3,808,870	4,800,770

16.5 Weighted average effective interest rates

The weighted average effective interest rates of interest-bearing borrowings at the end of the reporting period are as follows:

	The Group		The Company	
	2021 %	2020 %	2021 %	2020 %
Bank loans	2.5	3.1	3.0	3.0
Bills payable to banks	4.1	4.8	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

16 Borrowings (Cont'd)

16.6 Carrying amounts and fair values

The carrying amounts of short-term borrowings approximate their fair values. The carrying amounts and fair values of long-term borrowings at the end of the reporting period are as follows:

	Carrying amount S\$	Fair value S\$
The Group		
2021		
Bank loans	3,924,497	4,273,605
2020		
Bank loans	4,967,794	5,395,564

The Company

2021		
Bank loan	3,808,870	4,004,981
2020		
Bank loan	4,800,770	5,224,542

The fair values are determined from the discounted cash flow analyses, using the implicit discount rates based upon the borrowing rates which the directors expect would be available to the Group and the Company at the end of the reporting period, as follows:

	2021 %	2020 %
The Group		
Bank loans	2.5	3.1
The Company		
Bank loan	3.0	3.0

The fair value hierarchy of the above long-term borrowings is Level 3.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

17 Lease liabilities

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Undiscounted lease payments due:				
- Year 1	1,646,952	1,666,255	436,115	687,127
- Year 2	1,201,620	987,246	71,225	436,115
- Year 3	392,635	412,094	-	71,341
- Year 4	250,300	150,740	-	-
- Year 5	249,541	6,754	-	-
- Year 6	827,652	-	-	-
	4,568,700	3,223,089	507,340	1,194,583
Less: Unearned interest cost	(550,889)	(264,310)	(45,211)	(110,228)
Lease liabilities	4,017,811	2,958,779	462,129	1,084,355
Represented by:				
- Non-current	2,566,417	1,447,889	58,235	462,240
- Current	1,451,394	1,510,890	403,894	622,115
	4,017,811	2,958,779	462,129	1,084,355

Interest expense on lease liabilities of S\$237,318 (2020: S\$198,756) is recognised within finance costs in profit or loss (Note 25).

Rental expenses not recorded in lease liabilities but recognised within other operating expenses in profit or loss are set out below:

	2021 S\$	2020 S\$
The Group		
Short-term leases (Note 26)	535,738	450,366

Total cash outflows for leases amounted to S\$2,104,690 (2020: S\$1,367,578) for the financial year ended 31 December 2021.

The Group's and the Company's lease liabilities are secured by the lessors' title to the leased assets.

Leasing activities and financial risk management are disclosed in Note 30 and Note 33 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

17 Lease liabilities (Cont'd)

Lease liabilities are denominated in the following currencies:

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Singapore dollar	512,486	1,084,355	462,129	1,084,355
Malaysian ringgit	2,011,067	595,929	-	-
Renminbi	1,017,928	274,397	-	-
Thai baht	476,330	1,004,098	-	-
	4,017,811	2,958,779	462,129	1,084,355

18 Trade and other payables

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Trade payables				
- third parties	8,443,808	8,337,211	921,629	1,488,545
- subsidiaries	-	-	5,802,089	6,609,476
	8,443,808	8,337,211	6,723,718	8,098,021
Amounts due to subsidiaries (non-trade)	-	-	2,644,701	1,383,733
Accrued expenses	2,779,541	2,384,304	1,052,689	562,035
Consideration received	-	4,992,112	-	4,992,112
Other payables	261,198	356,797	96,574	74,973
	3,040,739	7,733,213	3,793,964	7,012,853
Financial liabilities at amortised cost	11,484,547	16,070,424	10,517,682	15,110,874

The average credit period taken to settle trade payables is approximately 150 days (2020: 150 days).

The non-trade amounts due to subsidiaries, which represent advances from and payments on behalf by the subsidiaries, are unsecured, interest-free and repayable on demand.

Consideration received relates to the first tranche payment received on 13 March 2020 in respect of the disposal of MCE Industries (Shanghai) Co., Ltd (Note 13).

Other payables mainly relate to amounts payable for office expenses, utilities, renovations and professional fees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

18 Trade and other payables (Cont'd)

Trade and other payables (excluding provision for retirement benefits) are denominated in the following currencies:

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Singapore dollar	2,270,479	5,585,610	1,043,065	5,565,694
Malaysian ringgit	2,701,190	1,927,542	-	-
Renminbi	3,820,563	4,936,692	1,593,581	1,218,655
Thai baht	403,800	777,292	-	-
United States dollar	2,288,515	2,843,288	7,881,036	8,326,525
	11,484,547	16,070,424	10,517,682	15,110,874

19 Provisions

The movement in provision for retirement benefits is as follows:

	2021 S\$	2020 S\$
The Group		
At 1 January	135,071	119,305
Current service cost	3,217	17,478
Exchange difference on translation	(11,444)	(1,712)
At 31 December	126,844	135,071

20 Contract liabilities

As at 31 December 2021, the Group's and the Company's contract liabilities related to revenue from contracts with customers amounted to S\$238,861 (2020: S\$382,840) and S\$186,562 (2020: S\$330,244), respectively.

The performance obligations that are unsatisfied (or partially unsatisfied) are in respect of contracts that have a period of one year or less.

Contract liabilities relate to advance billings for tools to be made for customers. Changes in contract liabilities relate to performance obligations being satisfied and revenue earned. Revenue recognised in the current financial year that was included in contract liabilities at the beginning of the year amounted to S\$357,582 (2020: S\$835,292) and S\$304,986 (2020: S\$435,251) for the Group and the Company, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

21 Revenue

Significant categories of revenue, excluding intra-group transactions and applicable goods and services tax and value-added tax, are detailed as follows:

	2021	2020
	S\$	S\$
The Group		
Revenue from contracts with customers		
- Sale of goods	42,536,984	32,232,571
- Services rendered	488,800	-
	43,025,784	32,232,571
Timing of revenue recognition		
At a point in time	43,025,784	32,232,571

22 Other income

	2021	2020
	S\$	S\$
The Group		
Gain on disposal of property, plant and equipment	13,241	78,685
Gain on disposal of group classified as held for sale	9,165,000	-
Government grants	187,182	482,190
Miscellaneous income	67,531	75,620
Interest income from bank	29,445	5,503
Write-down on inventories reversed (Note 9)	-	23,910
	9,462,399	665,908

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

23 Employee benefits expense

	2021	2020
The Group	S\$	S\$
Directors:		
Directors' fees	85,792	75,000
Directors' remuneration other than fees:		
- salaries and other related costs	500,280	279,240
- contributions to defined contribution plans	13,410	6,480
- equity-settled share-based payment transactions	272,950	-
	872,432	360,720
Key management personnel (other than directors):		
- salaries and other related costs	835,335	756,003
- contributions to defined contribution plans	55,092	60,077
- equity-settled share-based payment transactions	100,410	-
	990,837	816,080
Total key management personnel compensation	1,863,269	1,176,800
Other than key management personnel:		
- salaries and other related costs	9,641,874	8,397,878
- contributions to defined contribution plans	985,962	622,346
- equity-settled share-based payment transactions	78,086	-
	10,705,922	9,020,224
Total employee benefits expense	12,569,191	10,197,024

24 Other charges

	2021	2020
The Group	S\$	S\$
Foreign exchange loss, net	372,021	89,398
Write-down of inventories (Note 9)	76,015	-
	448,036	89,398

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

25 Finance costs

	2021	2020
The Group	S\$	S\$
Interest expenses on:		
- bank loans	136,016	105,560
- bank overdraft	2,228	5,632
- bills payable to banks	73,731	118,899
	211,975	230,091
- lease liabilities	237,318	198,756
	449,293	428,847

26 Other operating expenses

Other operating expenses comprise the following items which are individually material:

	2021	2020
The Group	S\$	S\$
Carriage inwards and outwards	334,079	339,020
Chemical, lubricants and gas	478,766	333,828
Electricity and water	1,052,005	986,989
Factory expenses	285,115	269,295
Legal and professional fees	892,610	420,896
Repair and maintenance	162,206	520,899
Security services	56,898	103,786
Short-term lease expenses	535,738	450,366
Tooling services	304,037	307,759

27 Taxation (credit)/expense

	2021	2020
The Group	S\$	S\$
Current taxation		
- current year	35,404	694
- over provision in respect of prior years	(684)	(678)
	34,720	16
Deferred taxation (Note 8)		
- origination and reversal of temporary differences	(35,542)	24,536
	(822)	24,552

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

27 Taxation (Cont'd)

The tax (credit)/expense on the results of the financial year varies from the amount of income tax determined by applying the applicable rate of income tax on profits/(losses) as a result of the following:

The Group	2021 S\$	2020 S\$
Profit/(loss) before taxation	7,669,593	(1,935,102)
Tax at statutory rates applicable to different jurisdictions	631,020	(402,896)
Tax effect on non-deductible expenses	398,083	121,801
Tax effect on non-taxable income	(792,165)	(43,275)
Deferred tax assets on temporary differences not recognised	56,645	349,600
Utilisation of previously unrecognised tax losses	(293,721)	-
Over provision of current taxation in respect of prior years	(684)	(678)
	(822)	24,552

Non-deductible expenses mainly relate to private motor vehicles and related expenses and foreign exchange losses. Non-taxable income mainly relates to government grants and gain on disposal of group held for sale.

Singapore

The corporate income tax rate applicable to the Company, 5Digital Pte Ltd (f.k.a Metal Precision Services Pte Ltd) and Gainhealth Pte Ltd is 17% (2020: 17%) for the financial year ended 31 December 2021.

Malaysia

The corporate income tax rate applicable to MCE Technologies Sdn Bhd and Gainhealth Digital Sdn Bhd (f.k.a MCE Manufacturing Sdn Bhd) is 24% (2020: 24%) for the financial year ended 31 December 2021.

Thailand

The corporate income tax rate in Thailand is 20% (2020: 20%) for the financial year ended 31 December 2021. Nonetheless, MCT (Thailand) Co., Ltd. is exempted from corporate income tax up to eight years (i.e. until the financial year ended 31 December 2021), under the Board of Investment of Thailand.

The People's Republic of China

In accordance with the Enterprise Income Tax ("EIT") Law of the PRC, the PRC subsidiaries are subject to the applicable EIT rate of 25% (2020: 25%) for the financial year ended 31 December 2021, except for a PRC subsidiary which is subject to a concessionary tax rate of 15% (2020: 15%) as a high-tech enterprise established in the Special Economic Zone in Shanghai.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

28 Earnings/(Loss) per share

	2021	2020
The Group		
Profit/(loss) for the year attributable to ordinary shareholders (S\$)	7,615,950	(1,959,654)
Basic	414,426,294	374,119,000
Diluted	419,061,294	374,119,000
Basic earnings/(loss) per share (Singapore cent)	1.84	(0.52)
Diluted earnings/(loss) per share (Singapore cent)	1.82	(0.52)

As at 31 December 2021, the 44,989,000 (2020 – 12,025,000) outstanding share options were excluded from the calculation of the diluted weighted average number of ordinary shares as the average market price of the Company's ordinary shares for the year then ended does not exceed the exercise price.

29 Equity-settled share-based payment transactions

The Company adopted the MCE Share Option Scheme on 4 November 2003. The MCE Share Option Scheme is administered by the Remuneration Committee. Options are exercisable at a price based on the average of the last done prices for the shares of the Company on the Singapore Exchange Securities Trading Limited for five consecutive market days preceding the date of grant. The vesting period is one year from the date of grant. If the options remain unexercised after a period of five years for non-executive directors and ten years for executive directors and employees from the date of grant, the options expire. Options are cancelled by forfeiture if any director or employee ceases to be under appointment or employment of the Company or any of its subsidiaries within the Group before the options vest.

The MCE Share Option Scheme expired on or about 3 November 2013. At the Annual General Meeting on 25 April 2014, the MCE Share Option Scheme 2014 was adopted by the Company's shareholders to replace the MCE Share Option Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

29 Equity-settled share-based payment transactions (Cont'd)

Details of options granted to directors and employees under the MCE Share Option Scheme and MCE Share Option Scheme 2014 are as follows:

Date of grant	Balance at 1.1.2020	Options forfeited	Balance at 31.12.2020	Options granted	Options forfeited	Options exercised	Balance at 31.12.2021
4.9.2013 ⁽ⁱ⁾	3,060,000	-	3,060,000	-	-	(40,000)	3,020,000
22.6.2018 ⁽ⁱⁱ⁾	9,432,500	(467,500)	8,965,000	-	(440,000)	(3,890,000)	4,635,000
30.6.2021 ⁽ⁱ⁾	-	-	-	31,203,500	(1,111,500)	-	30,092,000
30.11.2021 ⁽ⁱ⁾	-	-	-	11,877,000	-	-	11,877,000
	<u>12,492,500</u>	<u>(467,500)</u>	<u>12,025,000</u>	<u>43,080,500</u>	<u>(1,551,500)</u>	<u>(3,930,000)</u>	<u>49,624,000</u>

⁽ⁱ⁾ For directors and employees

⁽ⁱⁱ⁾ For employees

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2021 S\$	Number of options 2021	Weighted average exercise price 2020 S\$	Number of options 2020
Outstanding at beginning of year	0.038	12,025,000	0.038	12,492,500
Exercise during the year	0.050	(40,000)	-	-
Exercise during the year	0.034	(3,890,000)	-	-
Granted during the year	0.055	43,080,500	-	-
Forfeited during the year	0.034	(1,551,500)	0.034	(467,500)
Outstanding at end of year	0.038	<u>49,624,000</u>	0.038	<u>12,025,000</u>
Exercisable at end of year	0.038	<u>49,624,000</u>	0.038	<u>12,025,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

29 Equity-settled share-based payment transactions (Cont'd)

The following table summarises information about options outstanding at the end of the reporting period:

Exercise price 2021	Number of options 2021	Weighted average remaining contractual life (years) 2021	Exercise price 2020	Number of options 2020	Weighted average remaining contractual life (years) 2020
S\$0.05	3,020,000	1.68	S\$0.05	3,060,000	2.68
S\$0.034	4,635,000	7.48	S\$0.034	8,965,000	8.48
S\$0.055	41,969,000	9.50	-	-	-
	<u>49,624,000</u>	<u>8.84</u>		<u>12,025,000</u>	<u>7.00</u>

30 Leases

Where the Group is the lessee,

The Group leases factory and office premises for operations. The leases typically run for a period of one to three years, with an option to renew the lease after that date. The Group also leases office equipment with contract terms of one to five years. In addition, the Group leases machineries and motor vehicles under hire purchase arrangement with lease period of three to five years. Certain of these machineries are leased by the Company and transferred to its subsidiaries for use in operations. Lease payments are made on a monthly basis and renegotiated every few years to reflect market rentals. There are no externally imposed covenants on the lease arrangements.

Information about leases for which the Group is a lessee is presented in Note 4 and Note 17 to the financial statements.

31 Capital commitments

There are no capital expenditures contracted for at the end of the reporting period but not recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32 Operating segments

The Group has two business segments: Metal and Healthcare. For its metal business, the Group is organised into business units based on their geographical locations, namely Singapore, Thailand, Malaysia and China. For healthcare business, the geographical location is solely in Singapore.

There are no operating segments that have been aggregated to form the above reportable operating segments.

The Group's CEO, who is the chief operating decision maker, monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment.

Information regarding the results of each reportable segment is included in the following tables. Performance is measured based on segment profit (before interest, taxation and unallocated expenses), as included in the internal management reports that are reviewed by the Group's CEO, which in certain respects, as explained in the following tables, is different from profit in the consolidated financial statements. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment pricing is determined on an arm's length basis.

The Group's finance costs and income taxes are managed on a group basis and are not allocated to operating segments.

There are two major customers (2020: two major customers) which individually amounted to 10% or more of the Group's revenue for the financial year ended 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32 Operating segments (Cont'd)

2021	Metal business				Healthcare		Total S\$	
	Singapore S\$	Thailand S\$	Malaysia S\$	China S\$	Elimination S\$	Total S\$		
External sales	12,802,164	9,196,889	2,849,891	16,865,855	-	41,714,799	1,310,985	43,025,784
Inter-segment sales	5,976,915	7,033	10,066,439	944,004	(16,994,391)	-	-	-
Total revenue	18,779,079	9,203,922	12,916,330	17,809,859	(16,994,391)	41,714,799	1,310,985	43,025,784
Segment profit/(loss)	5,411,290	(564,646)	556,348	467,201	3,690,869	9,561,062	245,137	9,806,199
Finance costs						(446,578)	(2,715)	(449,293)
Unallocated expenses ⁽ⁱ⁾						(1,057,257)	(630,056)	(1,687,313)
Profit before taxation						8,057,227	(387,634)	7,669,593
Taxation						36,227	(35,405)	822
Profit for the year						8,093,454	(423,039)	7,670,415
Other segment information:								
Segment assets	37,220,089	5,996,276	9,918,184	23,718,904	(45,453,463)	31,399,990	13,079,856	44,479,846
Segment liabilities	14,975,220	2,497,153	6,649,942	15,817,798	(25,696,349)	14,243,764	7,260,993	21,504,757
Non-current assets:								
Property, plant and equipment	54,584	893,234	1,409,595	2,196,947	(369,052)	4,185,308	4,961	4,190,269
Right-of-use assets	65,339	517,342	3,997,149	1,144,721	-	5,724,551	49,289	5,773,840
Additions of property, plant and equipment	21,694	156,818	78,340	53,508	-	310,060	5,353	315,413
Additions right-of-use assets	-	-	1,801,979	1,471,784	-	3,273,763	-	3,273,763
Depreciation of property, plant and equipment	40,965	387,904	379,640	543,674	(20,652)	1,331,531	599	1,332,130
Depreciation of right-of-use assets	60,313	378,136	665,538	321,532	-	1,425,519	46,183	1,471,702
Gain on disposal of group classified as held for sale	(9,165,000)	-	-	-	-	(9,165,000)	-	(9,165,000)
Gain on disposal of property, plant and equipment	-	(10,793)	(2,563)	115	-	(13,241)	-	(13,241)
Impairment of property, plant and equipment	-	318,918	-	-	-	318,918	-	318,918
Write-down on inventories made/ (reversed)	-	24,925	56,647	(5,557)	-	76,015	-	76,015
Impairment of right-of-use assets	-	371,507	-	-	-	371,507	-	371,507

⁽ⁱ⁾ Unallocated expenses relate to directors' remuneration and other corporate related expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32 Operating segments (Cont'd)

	Singapore S\$	Thailand S\$	Malaysia S\$	China S\$	Elimination S\$	Total S\$
2020						
External sales	9,871,497	8,127,062	1,818,616	12,415,396	-	32,232,571
Inter-segment sales	4,321,679	4,203	7,809,343	1,389,664	(13,524,889)	-
Total revenue	14,193,176	8,131,265	9,627,959	13,805,060	(13,524,889)	32,232,571
Segment profit/(loss)	5,614,445	77,468	(369,007)	116,460	(6,329,253)	(889,887)
Finance costs						(428,847)
Unallocated expenses ⁽ⁱ⁾						(616,368)
Loss before taxation						(1,935,102)
Taxation						(24,552)
Loss for the year						(1,959,654)
Other segment information:						
Segment assets	34,678,872	7,258,772	9,461,444	21,188,140	(29,494,623)	43,092,605
Segment liabilities	22,070,816	2,768,674	6,636,023	14,485,960	(18,199,598)	27,761,875
Non-current assets:						
Property, plant and equipment	73,256	1,563,135	1,738,762	2,580,475	(390,022)	5,565,606
Right-of-use assets	125,652	1,480,717	2,946,547	511,479	-	5,064,395
Additions of property, plant and equipment	16,129	231,676	123,180	43,449	(20,295)	394,139
Additions of right-of-use assets	185,965	134,630	-	-	-	320,595
Depreciation of property, plant and equipment	52,630	495,357	428,666	519,237	(20,652)	1,475,238
Depreciation of right-of-use assets	60,313	212,852	709,050	409,281	-	1,391,496
Gain on disposal of property, plant and equipment	-	-	(52,421)	(44,310)	18,046	(78,685)
Write-down on inventories made/ (reversed)	-	1,917	-	(25,827)	-	(23,910)

⁽ⁱ⁾ Unallocated expenses relate to directors' remuneration and other corporate related expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33 Financial risk management objectives and policies

The Group and the Company have documented financial risk management policies. These policies set out the Group's and the Company's overall business strategies and its risk management philosophy. The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

The Group's and the Company's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's and the Company's activities. The Group and the Company, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risks. Market risk exposures are measured using sensitivity analysis for interest rate risk (Note 33.3) and foreign currency risk (Note 33.4).

The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

33.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group or the Company to incur a financial loss. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group and the Company adopt the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties.

The Group's and the Company's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group and the Company have established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group and the Company grant credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers which do not meet the Group's and the Company's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through on-going credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33 Financial risk management objectives and policies (Cont'd)

33.1 Credit risk (Cont'd)

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's and the Company's assessment of their creditworthiness and in accordance with the Group's and the Company's policy.

The Group's trade receivables comprise two major debtors (2020: two major debtors) that represented 57% (2020: 67%) of trade receivables. The Company's trade receivables (excluding trade amounts due from subsidiaries) comprise two major debtors (2020: two major debtors) that represented 47% (2020: 56%) of trade receivables.

The Group and the Company have trade and other receivables and cash and bank balances that are subject to the expected credit loss model. While other receivables and cash and bank balances are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Trade receivables

The Group and the Company apply the SFRS(I) 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime ECL allowance for all trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables. The Group and the Company have identified the GDP and the unemployment rate of the countries in which it operates to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, below is the information about the credit risk exposure on the Group's and the Company's trade receivables using provision matrix:

	Current	Past due 0 to 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due more than 90 days	Total
The Group	S\$	S\$	S\$	S\$	S\$	S\$
2021						
Gross carrying amount	9,392,899	1,567,066	175,459	196,659	209,497	11,541,580
Expected credit loss rate (%)	-	-	-	-	5.56	
Loss allowance	-	-	-	-	11,657	11,657
2020						
Gross carrying amount	8,316,031	1,510,053	79,287	19,932	48,459	9,973,762
Expected credit loss rate (%)	-	-	-	-	66.04	
Loss allowance	-	-	-	-	32,000	32,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33 Financial risk management objectives and policies (Cont'd)

33.1 Credit risk (Cont'd)

The Company	Current S\$	Past due 0 to 30 days S\$	Past due 31 to 60 days S\$	Past due 61 to 90 days S\$	Past due more than 90 days S\$	Total S\$
2021						
Gross carrying amount	2,031,417	495,756	277,560	72,248	1,725,758	4,602,739
Expected credit loss rate (%)	-	-	-	-	14.49	
Loss allowance	-	-	-	-	250,018	250,018
2020						
Gross carrying amount	1,667,939	81,813	54,777	130	6,792,783	8,597,442
Expected credit loss rate (%)	-	-	-	-	78.75	
Loss allowance	-	-	-	-	5,349,188	5,349,188

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group and the Company.

Other receivables

Loss allowance for other receivables is measured at an amount equal to 12-month ECLs. The ECLs on other receivables are estimated by reference to track record of the counterparties, their business and financial conditions where information is available, and knowledge of any events or circumstances impeding recovery of the amounts. At the end of the reporting period, no loss allowance for the Group's and the Company's other receivables was required.

Amounts due from subsidiaries (non-trade)

Except for the non-trade amounts due from certain subsidiaries which are credit-impaired, the non-trade amounts due from subsidiaries are considered to have low credit risk as the Company has control over the operating, investing and financing activities of its subsidiaries. The use of advances to assist with the subsidiaries' cash flow management is in line with the Group's capital management. There has been no significant increase in the credit risk of these non-trade amounts due from subsidiaries since initial recognition. In determining the ECLs, management has taken into account the finances and business performance of the subsidiaries, and a forward-looking analysis of the financial performance of operations of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33 Financial risk management objectives and policies (Cont'd)

33.1 Credit risk (Cont'd)

Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position, except for letters of financial support and corporate guarantee issued by the Company to and on behalf of a subsidiary.

The Company has given formal undertakings, which are unsecured, to provide financial support to certain subsidiaries in the Group.

At the end of the reporting period, the Company has issued corporate guarantee to a bank for the borrowings undertaken by a subsidiary, comprising loan, overdraft and bills payable. These bank borrowings amounted to S\$1,774,418 (2020: S\$1,009,722) at the end of reporting period. The credit risk, being the principal risk to which the Company is exposed, represents the loss that would be recognised upon a default by the subsidiary.

The current interest rates charged by the lender on the loans to the subsidiary are at market rates and are consistent with the borrowing costs of the subsidiary without any corporate guarantee.

At the end of the reporting period, the Company does not consider it probable that a claim will be made against it under the corporate guarantee.

To mitigate credit risk arising from corporate guarantees, management continually monitors the risk and has established processes including performing credit evaluations of the parties for which the Group provides corporate guarantees. Corporate guarantees are only for intra-group financing purposes and given by the Company on behalf of its subsidiaries.

The Group's and the Company's major classes of financial assets are bank deposits and trade receivables. Cash is held with established financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 10.

33.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33 Financial risk management objectives and policies (Cont'd)

33.2 Liquidity risk (Cont'd)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities (excluding those attributable to the disposal group classified as held for sale) based on contractual undiscounted cash flows:

The Group	Carrying amount S\$	Contractual cash flows S\$	Less than 1 year S\$	Between 1 and 5 years S\$	More than 5 years S\$
2021					
<u>Non-derivative financial liabilities</u>					
Borrowings (Note 16)	5,601,289	6,048,085	2,997,573	3,050,512	-
Lease liabilities (Note 17)	4,017,811	4,568,700	1,646,952	2,094,096	827,652
Trade and other payables (Note 18)	11,484,547	11,484,547	11,484,547	-	-
	21,103,647	22,101,332	16,129,072	5,144,608	827,652
2020					
<u>Non-derivative financial liabilities</u>					
Borrowings (Note 16)	5,810,492	6,244,376	2,104,932	4,139,444	-
Lease liabilities (Note 17)	2,958,779	3,223,089	1,666,254	1,556,835	-
Trade and other payables (Note 18)	16,070,424	16,070,424	16,070,424	-	-
	24,839,695	25,537,889	19,841,610	5,696,279	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33 Financial risk management objectives and policies (Cont'd)

33.2 Liquidity risk (Cont'd)

The Company	Carrying amount S\$	Contractual cash flows S\$	Less than 1 year S\$	Between 1 and 5 years S\$
2021				
<u>Non-derivative financial liabilities</u>				
Borrowings (Note 16)	3,808,870	4,004,981	1,028,862	2,976,119
Lease liabilities (Note 17)	462,129	507,340	436,115	71,225
Trade and other payables (Note 18)	10,517,682	10,517,682	10,517,682	-
	14,788,681	15,030,003	11,982,659	3,047,344
Intra-group financial guarantee	1,774,418	2,043,104	1,968,711	74,393
	16,563,099	17,073,107	13,951,370	3,121,737
2020				
<u>Non-derivative financial liabilities</u>				
Borrowings (Note 16)	4,800,770	5,225,355	1,122,394	4,102,961
Lease liabilities (Note 17)	1,084,355	1,194,583	687,127	507,456
Trade and other payables (Note 18)	15,110,874	15,110,874	15,110,874	-
	20,995,999	21,530,812	16,920,395	4,610,417
Intra-group financial guarantee	1,009,722	1,019,023	982,539	36,484
	22,005,721	22,549,835	17,902,934	4,646,901

Except for the Company's cash flows arising from its intra-group corporate guarantee (Note 33.1), it is not expected that the cash flows included in the maturity analysis of the Group and the Company could occur significantly earlier, or at significantly different amounts.

At the end of the reporting period, the Company does not consider it probable that a claim will be made against it under the intra-group corporate guarantee.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

The Group and the Company ensure that there are adequate funds to meet all their obligations in a timely and cost-effective manner. The Group and the Company maintain sufficient level of cash and bank balances and have available adequate amount of committed credit facilities from financial institutions to meet their working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33 Financial risk management objectives and policies (Cont'd)

33.3 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 market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from certain bank loans, bank overdraft, bills payable to banks and bank balances at floating rates. Leases and other bank loans bear interest at fixed rates. All other financial assets and liabilities are interest-free.

At the end of the reporting period, the carrying amount of the interest-bearing financial instruments (excluding those attributable to the disposal group classified as held for sale) is as follows:

	The Group		The Company	
	2021	2020	2021	2020
	S\$	S\$	S\$	S\$
Fixed rate instruments				
Financial liabilities				
- bank loans	(3,924,497)	(4,967,794)	(3,808,870)	(4,800,770)
- lease liabilities	(4,017,811)	(2,958,779)	(462,129)	(1,084,355)
	(7,942,308)	(7,926,573)	(4,270,999)	(5,885,125)
Variable rate instruments				
Financial assets				
- bank balances	10,258,226	4,252,915	3,668,803	2,225,810
Financial liabilities				
- bank overdraft	(13)	-	-	-
- bills payable to banks	(1,676,779)	(842,698)	-	-
	(1,676,792)	(842,698)	-	-
	8,581,434	3,410,217	3,668,803	2,225,810

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate assets or liabilities of fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33 Financial risk management objectives and policies (Cont'd)

33.3 Interest rate risk (Cont'd)

Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if interest rates had been 100 (2020: 100) basis points higher/lower with all other variables held constant, the Group's and the Company's results net of tax and equity would have been S\$85,814 (2020: S\$34,102) and S\$36,688 (2020: S\$22,258) lower/higher, respectively, arising as a result of higher/lower interest expense on floating rate bank loans, bank overdraft and bills payable to banks, offset by higher/lower interest income from floating rate bank balances, and *vice versa*.

The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

The Group's and the Company's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure.

33.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies.

The Group and the Company have transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, namely Malaysian ringgit, Thai baht and Renminbi for the subsidiaries in Malaysia, Thailand and the PRC respectively, and Singapore dollar for the Company and its Singapore incorporated subsidiary. The foreign currency in which these transactions are denominated is primarily United States dollar. Arising from the Group's and the Company's sales and purchases denominated in United States dollar, the Group's and the Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

At the end of the reporting period, the Company has balances due from/to subsidiaries, which are denominated in Renminbi, Thai baht and United States dollar. The Company also holds cash at banks denominated in United States dollar for working capital purposes. In addition, certain borrowings obtained by the Company for trade financing purposes are denominated in United States dollar.

Consequently, the Group and the Company are exposed to movements in foreign currency exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33 Financial risk management objectives and policies (Cont'd)

33.4 Foreign currency risk (Cont'd)

The Group's and the Company's exposures in financial instruments to the various foreign currencies (other than the respective functional currencies of group entities) are mainly as follows:

	Renminbi S\$	United States dollar S\$
The Group		
2021		
Trade and other receivables	-	3,291,058
Cash and bank balances	-	4,028,283
Trade and other payables	(153,821)	(2,288,515)
Net exposure	(153,821)	5,030,826

2020		
Trade and other receivables	206,862	3,420,615
Cash and bank balances	-	1,618,392
Trade and other payables	(1,575,184)	(2,843,288)
Net exposure	(1,368,322)	2,195,719

	Renminbi S\$	United States dollar S\$
The Company		
2021		
Trade and other receivables	2,866,871	3,230,887
Cash and bank balances	-	3,386,664
Trade and other payables	(1,593,581)	(7,881,036)
Net exposure	1,273,290	(1,263,485)

2020		
Trade and other receivables	206,862	2,814,041
Cash and bank balances	-	1,312,772
Trade and other payables	(1,218,655)	(8,326,525)
Net exposure	(1,011,793)	(4,199,712)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33 Financial risk management objectives and policies (Cont'd)

33.4 Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Renminbi (RMB) and United States dollar (USD) exchange rates (against Singapore dollar), with all other variables held constant, of the Group's and the Company's results net of tax and equity.

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
RMB - strengthened 5% (2020: 5%)	(7,691)	(68,416)	63,665	(50,590)
- weakened 5% (2020: 5%)	7,691	68,416	(63,665)	50,590
USD - strengthened 5% (2020: 5%)	251,541	109,786	(63,174)	(209,986)
- weakened 5% (2020: 5%)	(251,541)	(109,786)	63,174	209,986

33.5 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group and the Company do not hold any quoted or marketable financial instruments, hence, are not exposed to any movement in market prices.

34 Capital management

The Group's and the Company's objectives when managing capital are:

- To safeguard the Group's and the Company's ability to continue as going concern;
- To support the Group's and the Company's stability and growth;
- To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
- To provide an adequate return to shareholders.

The Group and the Company actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company, and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34 Capital management (Cont'd)

The Group and the Company are not subject to externally imposed capital requirements, except as disclosed below.

As disclosed in Note 13, the subsidiaries in the PRC are required by the relevant laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is restricted. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2021 and 31 December 2020.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises borrowings, lease liabilities and trade and other payables, less cash and bank balances. Total capital represents equity attributable to owners of the Company less the PRC subsidiaries' restricted statutory reserve fund.

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Borrowings (Note 16)	5,601,289	5,810,492	3,808,870	4,800,770
Lease liabilities (Note 17)	4,017,811	2,958,779	462,129	1,084,355
Trade and other payables (Note 18)	11,484,547	16,070,424	10,517,682	15,110,874
Total debt	21,103,647	24,839,695	14,788,681	20,995,999
Less: Cash and bank balances (Note 12)	(10,270,271)	(4,265,481)	(3,670,303)	(2,227,310)
Net debt	10,833,376	20,574,214	11,118,378	18,768,689
Equity attributable to owners of the Company	22,975,089	15,330,730	22,299,484	10,771,473
Less: Statutory reserve (Note 15)	(556,124)	(556,124)	-	-
Total capital	22,418,965	14,774,606	22,299,484	10,771,473
Total capital and net debt	33,252,341	35,348,820	33,417,862	29,540,162
Gearing ratio	33%	58%	33%	64%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

35 Financial instruments

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Group	Amortised cost S\$	Other financial liabilities at amortised cost S\$	Total S\$
2021			
<u>Financial assets</u>			
Trade and other receivables * (Note 10)	12,788,982	-	12,788,982
Cash and bank balances (Note 12)	10,270,271	-	10,270,271
	23,059,253	-	23,059,253
<u>Financial liabilities</u>			
Borrowings (Note 16)	-	5,601,289	5,601,289
Lease liabilities (Note 17)	-	4,017,811	4,017,811
Trade and other payables (Note 18)	-	11,484,547	11,484,547
	-	21,103,647	21,103,647
2020			
<u>Financial assets</u>			
Trade and other receivables * (Note 10)	10,903,928	-	10,903,928
Cash and bank balances (Note 12)	4,265,481	-	4,265,481
	15,169,409	-	15,169,409
<u>Financial liabilities</u>			
Borrowings (Note 16)	-	5,810,492	5,810,492
Lease liabilities (Note 17)	-	2,958,779	2,958,779
Trade and other payables (Note 18)	-	16,070,424	16,070,424
	-	24,839,695	24,839,695
The Company			
2021			
<u>Financial assets</u>			
Trade and other receivables * (Note 10)	12,709,908	-	12,709,908
Cash and bank balances (Note 12)	3,670,303	-	3,670,303
	16,380,211	-	16,380,211
<u>Financial liabilities</u>			
Borrowings (Note 16)	-	1,226,167	1,226,167
Lease liabilities (Note 17)	-	462,129	462,129
Trade and other payables (Note 18)	-	10,517,682	10,517,682
	-	12,205,978	12,205,978

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

35 Financial instruments (Cont'd)

Accounting classifications of financial assets and financial liabilities (Cont'd)

The Company	Amortised cost S\$	Other financial liabilities at amortised cost S\$	Total S\$
2020			
<u>Financial assets</u>			
Trade and other receivables * (Note 10)	3,870,889	-	3,870,889
Cash and bank balances (Note 12)	2,227,310	-	2,227,310
	<u>6,098,199</u>	<u>-</u>	<u>6,098,199</u>
<u>Financial liabilities</u>			
Borrowings (Note 16)	-	4,800,770	4,800,770
Lease liabilities (Note 17)	-	1,084,355	1,084,355
Trade and other payables (Note 18)	-	15,110,874	15,110,874
	<u>-</u>	<u>20,995,999</u>	<u>20,995,999</u>

* Excluding input taxes

Fair values

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, comprising trade and other receivables (excluding input taxes), cash and bank balances, short-term borrowings, and trade and other payables (excluding provision for retirement benefits), are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group and the Company for similar financial instruments.

Financial assets and financial liabilities subject to enforceable master netting arrangements that are not otherwise set-off

The Group and the Company regularly purchase raw materials from and sell finished products to two counterparties. The Group and the Company and both counterparties do not have an arrangement to settle the amount due to or from each other on a net basis but have the right to set off in the case of default and insolvency or bankruptcy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

35 Financial instruments (Cont'd)

Financial assets and financial liabilities subject to enforceable master netting arrangements that are not otherwise set-off (Cont'd)

The Group's trade receivables and trade payables subject to an enforceable master netting arrangement that are not otherwise set-off are as follows:

The Group	Carrying amounts S\$	Related amounts not set off in the statement of financial position S\$	Net amounts S\$
2021			
Trade receivables	5,121,068	(40,625)	5,080,443
Trade payables	40,625	(40,625)	-
2020			
Trade receivables	5,220,941	(22,506)	5,198,435
Trade payables	22,506	(22,506)	-

Transferred financial assets that are not derecognised in their entirety

	The Group		The Company	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Carrying amount of assets:				
Trade receivables (Note 10)	2,030,374	1,053,373	-	-
Carrying amount of associated liabilities:				
Bills payable to banks (Note 16.3)	(1,676,779)	(842,698)	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

36 Fair value measurement

Definition of fair value

SFRS(I) define fair value as 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.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities not measured at fair value but for which fair values are disclosed *

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
The Group				
2021				
Other investment of FVOCI	-	-	2,024,850	2,024,850
Long-term bank loans	-	4,273,605	-	4,273,605
2020				
Long-term bank loans	-	5,395,564	-	5,395,564
The Company				
2021				
Long-term bank loans	-	4,004,981	-	4,004,981
2020				
Long-term bank loans	-	5,224,542	-	5,224,542

- * Exclude financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term or repayable on demand nature and where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

36 Fair value measurement (Cont'd)

Fair value hierarchy (Cont'd)

Unquoted equity shares

The agreed purchase consideration approximates the fair value and is based on management's valuation using external valuers. The valuation make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed.

Long-term bank loans

The carrying amounts of interest-bearing loans that reprice within six months of the end of the reporting period approximate their fair values. The fair values of all other interest-bearing loans are calculated based on discounted expected future principal and interest cash flows.

37 Events after the reporting period

On 17 January 2022, the Company changed its name from Metal Component Engineering Limited to Meta Health Limited.

On 2 March 2022, the Company incorporated a wholly-owned subsidiary in Singapore, known as MCE Technologies Holdings Pte. Ltd. with the intent of ensuring integral but independent operations of the Group's traditional metal business.

SHAREHOLDINGS STATISTICS

as at 18 March 2022

SHARE CAPITAL

Issued and paid-up capital : S\$28,632,172
 Number of issued shares : 524,958,323
 Number of treasury shares : NIL
 Number of subsidiary holdings : NIL

Class of shares - Ordinary shares
 Voting rights - 1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	13	1.04	324	0.00
100 - 1,000	121	9.69	113,278	0.02
1,001 - 10,000	230	18.43	1,311,106	0.25
10,001 - 1,000,000	823	65.95	117,900,136	22.46
1,000,001 and above	61	4.89	405,633,479	77.27
	1,248	100.00	524,958,323	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Citibank Nominees Singapore Pte Ltd	58,697,900	11.18
2	HSBC (Singapore) Nominees Pte Ltd	58,181,527	11.08
3	DBS Nominees Pte Ltd	45,291,700	8.63
4	GKL Investment Holdings Pte Ltd	18,482,500	3.52
5	Phillip Securities Pte Ltd	17,899,033	3.41
6	Raffles Nominees (Pte) Limited	15,424,100	2.94
7	OCBC Securities Private Ltd	13,998,581	2.67
8	Heng Hock Liang	13,859,000	2.64
9	IFast Financial Pte Ltd	11,725,300	2.23
10	Lim Chin Tong	8,503,300	1.62
11	Ahillan Pupalasingam	8,339,887	1.59
12	Chua Kheng Choon	7,630,666	1.45
13	United Overseas Bank Nominees Pte Ltd	6,969,900	1.33
14	Maybank Securities Pte. Ltd.	6,820,704	1.30
15	Tan Chew Hiah	6,735,000	1.28
16	Lim Wee Kiat (Lin Weijie)	6,283,069	1.20
17	Wang Yu Huei	5,940,464	1.13
18	UOB Kay Hian Pte Ltd	4,900,796	0.93
19	Ng Tiam Moy	4,385,000	0.84
20	Goh Way Siong	4,300,000	0.82
		324,368,427	61.79

Shareholdings Held in Hands of Public

Based on information available to the Company as at 18 March 2022, 97.24% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited has been complied with.

SHAREHOLDINGS STATISTICS

as at 18 March 2022

SUBSTANTIAL SHAREHOLDERS

The Company does not have any substantial shareholders.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of META HEALTH LIMITED (the “**Company**”) will be held by way of electronic means on **Thursday, 28 April 2022 at 9:30 a.m.**, to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2021 (“**FY2021**”) together with the Auditors’ Report thereon.
(Resolution 1)
2. To re-elect Mr Koh Gim Hoe as a director of the Company (“**Director**”), who is retiring pursuant to Regulation 92 of the Company’s Constitution, and who, being eligible, offered himself for re-election as a Director.
[See Explanatory Note (i)] **(Resolution 2)**
3. To re-elect Ms Leow Siew Yon, Cynthia as a Director, who is retiring pursuant to Regulation 92 of the Company’s Constitution, and who, being eligible, offered herself for re-election as a Director.
[See Explanatory Note (ii)] **(Resolution 3)**
4. To approve the payment of Directors’ fees of S\$110,000 for the financial year ending 31 December 2022, to be paid quarterly in arrears, at the end of each calendar quarter (FY2021: S\$115,000).
(Resolution 4)
5. To re-appoint Foo Kon Tan LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration.
(Resolution 5)
6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting of the Company.

AS SPECIAL BUSINESS

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

7. **Authority to allot and issue shares**

“That pursuant to Section 161 of the Companies Act 1967 (the “**Companies Act**”) and Rule 806 of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (a) (i) allot and issue shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

(b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Ordinary Resolution is in force, provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution) and Instruments to be issued pursuant to this Ordinary Resolution shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro-rata basis to existing shareholders of the Company shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued pursuant to the Instruments) that may be issued under sub-paragraph (1) above, the percentage of the total number of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Ordinary Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities outstanding at the time of passing of this Ordinary Resolution;

(b) (where applicable) new Shares arising from the exercise of share options or vesting of share awards, provided that such share awards or share options (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or sub-division of Shares,

adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) 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 Ordinary Resolution;

(3) in exercising the authority conferred by this Ordinary 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 SGX-ST), all applicable legal requirements under the Companies Act and the Constitution of the Company for the time being in force; and

NOTICE OF ANNUAL GENERAL MEETING

- (4) unless revoked or varied by the Company in a general meeting, such authority conferred by this Ordinary Resolution shall continue in force until (i) the conclusion of the next Annual General Meeting of the Company or (ii) the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”
[See Explanatory Note (iii)] **(Resolution 6)**

8. **Authority to allot and issue Shares under the MCE Share Option Scheme 2003**

“That the Directors of the Company be authorised and empowered to allot and issue Shares in the capital of the Company to all the holders of options granted by the Company prior to the subsistence of this authority under the MCE Share Option Scheme 2003 (“**2003 Scheme**”) upon the exercise of such options and in accordance with the terms and conditions of the 2003 Scheme.
[See Explanatory Note (iv)] **(Resolution 7)**

9. **Authority to offer and grant share options, and to allot and issue Shares under the MCE Share Option Scheme 2014 (“2014 Scheme”)**

“That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to grant share options in accordance with the provisions of the 2014 Scheme and to allot and issue from time to time, such number of Shares as may be required to be issued pursuant to the exercise of the share options under the 2014 Scheme, provided that the aggregate number of new Shares which may be issued pursuant to the 2014 Scheme shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, 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 to be held, whichever is earlier.”
[See Explanatory Note (v)] **(Resolution 8)**

By Order of the Board

Lee Wei Hsiung
Mak Peng Leong Philip
Secretaries
Singapore, 13 April 2022

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr Koh Gim Hoe will, upon re-election as a Director, remain as the Lead Independent Director, the Chairman of the Audit Committee, and a member of the Nominating Committee and the Remuneration Committee. The Board considers Mr Koh Gim Hoe to be independent for the purpose of Rule 704(7) of the Catalist Rules. Mr Koh Kim Hoe does not have any relationship, including family relationships, with the rest of the Directors, the Company, its related corporation, its officers or its substantial shareholders, which may affect his independence. Key information on Mr Koh Gim Hoe required pursuant to Rule 720(5) of the Catalist Rules can be found under the sections entitled "Board of Directors", "Corporate Governance Report – Additional Information on Director Nominated for Re-Election – Appendix 7F to the Catalist Rules", and "Directors' Statement" of the Company's Annual Report 2021.
- (ii) Ms Leow Siew Yon, Cynthia will, upon re-election as a Director, remain as the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee. The Board considers Ms Leow Siew Yon, Cynthia to be independent for the purpose of Rule 704(7) of the Catalist Rules. Ms Leow Siew Yon, Cynthia does not have any relationship, including family relationships, with the rest of the Directors, the Company, its related corporation, its officers or its substantial shareholders, which may affect her independence. Key information on Ms Leow Siew Yon, Cynthia required pursuant to Rule 720(5) of the Catalist Rules can be found under the sections entitled "Board of Directors", "Corporate Governance Report – Additional Information on Director Nominated for Re-Election – Appendix 7F to the Catalist Rules", and "Directors' Statement" of the Company's Annual Report 2021.
- (iii) Ordinary Resolution 6 proposed in item 7 above, if passed, will authorise and empower the Directors from the date of passing Resolution 6 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 to be held or the date such authority is revoked by the Company in a general meeting, whichever is the earliest, to allot and issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holding, if any) in the capital of the Company, of which up to 50% of the total number of issued Shares (excluding treasury shares and subsidiary holding, if any) in the capital of the Company may be issued other than on a pro-rata basis to existing shareholders. For determining the aggregate number of Shares that may be issued, the percentage of Shares that may be issued (including Shares that are to be issued pursuant to the Instruments) will be calculated based on the issued Shares in the capital of the Company at the time this Ordinary Resolution 6 is passed after adjusting for new Shares arising from the conversion or exercise of the Instruments or any convertible securities, new Shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of passing of Ordinary Resolution 6 and any subsequent bonus issue, consolidation or sub-division of Shares.

NOTICE OF ANNUAL GENERAL MEETING

- (iv) Ordinary Resolution 7 proposed in item 8 above, if passed, will authorise and empower the Directors, from the date of passing Resolution 7 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 to be held, or the date such authority is revoked by the Company in a general meeting, whichever is earlier, to allot and issue Shares pursuant to the exercise of Options under the 2003 Scheme, provided that the aggregate number of shares to be issued shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) from time to time. The 2003 Scheme expired on or about 3 November 2013. Options previously granted under the 2003 Scheme remain valid and exercisable until the end of the relevant exercise period.
- (v) Ordinary Resolution 8 proposed in item 9 above, if passed, will authorise and empower the Directors, from the date of passing Resolution 8 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 to be held, or the date such authority is revoked by the Company in a general meeting, whichever is earlier, to grant share options and to allot and issue Shares pursuant to the exercise of Options under the 2014 Scheme, provided that the aggregate number of shares to be issued shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) from time to time. The 2014 Scheme was adopted and approved by Shareholders on 25 April 2014.

Notes

1. The AGM is being convened, and will be held, by way of electronic means pursuant to First Schedule of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM will **NOT** be sent to members of the Company. Instead, the Notice of AGM will be sent to members of the Company by electronic means via publication on SGXNet and the Company's corporate website at www.metahealth.sg/investor-relations/
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast ("**LIVE WEBCAST**") or "live" audio-only stream ("**AUDIO ONLY MEANS**"), submission of questions in advance of the AGM, addressing of substantial and relevant questions, are set out in the Company's announcement dated 13 April 2022 (the "**Announcement**"), which has been uploaded together with the Notice of AGM on SGXNet on the same day. The Announcement may also be accessed on the Company's website at www.metahealth.sg/investor-relations/. For the avoidance of doubt, the aforesaid section is circulated together with and forms part of this Notice of AGM in respect of the AGM.
3. The Company will not be convening a physical meeting, as such, members of the Company will not be able to attend the AGM in person. A member of the Company (whether individual or corporate and including a Relevant Intermediary*) must appoint the Chairman of the AGM 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. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary*) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
4. The Chairman of the AGM, as proxy, need not be a member of the Company.

NOTICE OF ANNUAL GENERAL MEETING

5. In the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM (i.e. **by 9:30 a.m. on 25 April 2022**), as certified by The Central Depository (Pte) Limited to the Company.
6. An investor who holds shares under the Central Provident Fund Investment Scheme (“**CPF Investor**”) and/or the Supplementary Retirement Scheme (“**SRS Investor**”) who wish to vote at the AGM should approach their respective agent banks to submit their votes at least seven (7) working days before the date of the AGM (i.e. **by 5:00 p.m. on 18 April 2022**). CPF Investors and/or SRS Investors are requested to contact their respective agent banks for any queries they may have with regard to appointment as to the appointment of the Chairman of the AGM as proxy for the AGM.
7. The instrument appointing the Chairman of the AGM as a proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:
 - (a) if submitted by email, at gpb@mncsingapore.com; or
 - (b) if submitted by post, be lodged at the address of the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01 Singapore 068902,

in either case, **by 9:30 a.m. on 26 April 2022** (being not less than forty-eight (48) hours before the time appointed for holding the AGM) (or any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By (a) submitting a proxy form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, and/or (b) by registering to attend the AGM via LIVE WEBCAST or AUDIO ONLY MEANS, and/or (c) submitting any question prior to the AGM in accordance with this Notice of AGM, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to the LIVE WEBCAST or AUDIO ONLY MEANS to observe the proceedings of the AGM and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (iv) preparation and compilation of the attendance list, proxy list, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

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

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.

META HEALTH LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 198804700N)

**PROXY FORM –
ANNUAL GENERAL MEETING**

(Please see notes overleaf before completing this Proxy Form)

This Proxy Form has been made available on SGXNet and the Company's website and may be accessed at the URL <https://www.metahealth.sg/investor-relations/>. A printed copy of this Proxy Form will **NOT** be despatched to members of the Company.

IMPORTANT

1. Alternative arrangements relating to attendance at the Annual General Meeting ("AGM") via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast ("LIVE WEBCAST") or "live" audio only stream ("AUDIO ONLY MEANS")), submission of questions in advance of the AGM, addressing of substantial queries and relevant comments, prior to, or at, the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Company's announcement on 13 April 2022 which forms part of the Notice of AGM.
2. The Company will not be convening a physical meeting, as such, members of the Company will not be able to attend the AGM in person. A member will also not be able to vote online at the resolutions to be tabled for approval at the AGM. If a member (whether individual or corporate) wishes to exercise his/her/its votes, he/she/it must submit this Proxy Form to appoint the Chairman of the AGM to vote on his/her/its behalf. A member (whether individual or corporate and including a Relevant Intermediary*) appointing the Chairman of the AGM as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in this Proxy Form, failing which the appointment will be treated as invalid.
3. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") who wish to vote at the AGM should approach their respective agent banks to submit their votes at least seven (7) working days before the date of the AGM (i.e. by 5:00 p.m. on 18 April 2022). CPF Investors and/or SRS Investors are requested to contact their respective agent banks for any queries they may have with regard to appointment as to the appointment of the Chairman of the AGM as proxy for the AGM.
4. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
5. Please read the notes to this Proxy Form.

*I/We _____ (Name) NRIC/Passport No. _____ of _____ (Address)

being a *member/members of Meta Health Limited ("Company"), hereby appoint the Chairman of the AGM as my/our* proxy to vote for me/us* on my/our* behalf at the AGM to be held by way of electronic means (via LIVE WEBCAST and AUDIO ONLY MEANS) on **Thursday, 28 April 2022 at 9:30 a.m.**, and at any adjournment thereof. *I/We direct *my/our proxy to vote for, against and/or abstain from voting on the resolution to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, this Proxy Form shall be disregarded and the proxy shall abstain from voting on any matter arising at the AGM and at any adjournment thereof.

No	ORDINARY RESOLUTIONS:	No. of Votes "For"***	No. of Votes "Against"***	No. of Votes "Abstaining"***
1.	Adoption of the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Auditors' Report thereon.			
2.	Re-election of Mr Koh Gim Hoe as a Director of the Company.			
3.	Re-election of Ms Leow Siew Yon, Cynthia as a Director of the Company.			
4.	Approval of the payment of Directors' fees of S\$110,000 for the financial year ending 31 December 2022, to be paid quarterly in arrears, at the end of each calendar quarter.			
5.	Re-appointment of Foo Kon Tan LLP as the Company's Auditors and to authorise Directors of the Company to fix their remuneration.			
6.	Authority to allot and issue shares in the capital of the Company.			
7.	Authority to allot and issue shares under the MCE Share Option Scheme 2003.			
8.	Authority to offer and grant share option, and to allot and issue shares under the MCE Share Option Scheme 2014.			

* Delete accordingly.

** Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to exercise all your votes for or against or abstain from voting for in respect of all your Shares the above Resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish the Chairman of the AGM as your proxy to exercise some and not all of your votes for or against and/or abstain from voting for the Resolution and/or if you wish the Chairman of the AGM as your proxy to abstain from voting in respect of the Resolution, please indicate the number of votes "For", the number "Against" and/or the number "Abstaining" in the boxes provided for the Resolution. In the absence of specific directions, the appointment of the Chairman of the AGM as your proxy will be treated as invalid.

Date this _____ day of _____ 2022

Total Number of Shares Held in:	
(a) Depository Register	
(b) Register of Members	

Signature of Shareholder(s), or
Common Seal of Corporate Shareholder

* Delete where inapplicable



IMPORTANT: PLEASE READ THE NOTES BELOW CAREFULLY BEFORE COMPLETING THIS FORM

Notes

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing the Chairman of the AGM as proxy shall be deemed to relate to all the Shares held by you (in both the Depository Register and the Register of Members).
2. The Company will not be convening a physical meeting. As such, members of the Company will not be able to attend the AGM in person and must appoint the Chairman of the AGM as proxy to attend, speak and vote on the member's behalf at the AGM and at any adjournment thereof. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. If a member (whether individual or corporate and including a Relevant Intermediary*) wishes to exercise his/her/its votes, he/she/it must submit this Proxy Form to appoint the Chairman of the AGM to vote on his/her/its behalf. A member (whether individual or corporate including a Relevant Intermediary*) appointing the Chairman of the AGM as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in this Proxy Form, failing which the appointment will be treated as invalid. This Proxy Form may be accessed via SGXNET and the Company's website at <https://www.metahealth.sg/investor-relations/>

In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.
4. CPF Investors and SRS Investors who wish to vote at the AGM should approach their respective agent banks to submit their votes at least seven (7) working days before the date of the AGM (i.e. by 5.00 p.m. on 18 April 2022). CPF Investors and SRS Investors should not directly appoint the Chairman as proxy to direct the vote.
5. Relevant Intermediaries shall also appoint the Chairman of the AGM to act as proxy and direct the vote at the AGM. Together with the instrument appointing a proxy, the Relevant Intermediaries shall provide to the Company a list of attendees who would like to attend the AGM by way of a "live" webcast and/or audio only means with such information that may be requested by the Company.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative to attend the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore ("**Companies Act**").
 7. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its seal, executed as a deed in accordance with the Companies Act or under the hand of an attorney or an officer duly authorised, or in some other manner approved by the Directors. Where the instrument appointing the Chairman of the AGM as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged at the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01 Singapore 068902.
 8. The instrument appointing the Chairman of the AGM as proxy must be completed and arrive (a) by email to gpb@mncsingapore.com; OR (b) by post to the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01 Singapore 068902, not later than **9.30 a.m. on 26 April 2022** (being forty-eight (48) hours before the time fixed for the AGM).

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 13 April 2022.



Meta Health Limited
(Incorporated in the Republic of Singapore)
(Company Registration No.: 198804700N)

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