MEDTECS

2022 Annual Report

Medtecs International Corporation Limited

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

This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**").

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

The contact persons for the Sponsor are Ms Evelyn Wee (Telephone Number: +65 6232 0724) and Mr. Howard Cheam Heng Haw (Telephone Number: +65 6232 0685), R & T Corporate Services Pte. Ltd., at 9 Straits View, Marina One West Tower, #06-07 Singapore 018937.

MEDTECS INTERNATIONAL CORPORATION LIMITED

Corporate Profile

Medtecs International Corporation Limited (the "**Company**" or "**Medtecs**") is a leading supplier and distributor of personal protective equipment ("**PPE**") and provider of logistics services to healthcare institutions with over 30 years of experience in the manufacturing of PPE and workwear. The Company and its subsidiaries (collectively, the "**Group**") commenced operations in 1989 and has since established a strong presence in the United States, Europe and Asia Pacific. The Group has offices and facilities spanning across Asia including Singapore, Taiwan, the Philippines, the People's Republic of China ("**China**"), Cambodia and the United States of America. The Company was listed on the Singapore Dealing and Automated Quotation System (SESDAQ) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 6 October 1999 and transitioned to sponsor-supervised regime on Catalist with R & T Corporate Services Pte. Ltd. as its continuing sponsor on 26 February 2010. The Group's Taiwan Depository Receipts ("**TDR**") have been listed on the Taiwan Stock Exchange ("**TWSE**") since 13 December 2002.

Headquarters – Taipei, Taiwan

The Group's main lines of business include manufacturing, trading and distribution, and providing integrated hospital services. As a manufacturer of a wide range of PPE, workwear apparels and protective coverings for hospitals and manufacturing industries, the Group maintains diversified manufacturing facilities and production lines in the Philippines, Cambodia, Taiwan and China and the United States to reduce supply chain disruptions. For our trading and distribution business, the Group has logistics and warehousing centers in Canada, Europe, Japan and the United States and is working with Amazon, DHL and other e-commerce and logistics services providers to optimise our distribution efficiency. As a hospital services provider, the Group provides hospitals in Taiwan and the Philippines with integrated services which include rental and laundry of linens, management of laundry facilities, hospital automation, as well as procurement solutions for the hospital's PPE and medical devices needs. In Taiwan, the Group is currently the dominant total solutions provider for such hospital services, with a customer base of 19 hospitals.

The Group has also successfully expanded its hospital service in the Philippines, covering 31 hospitals.

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

Medtecs (Taiwan) Corporation

Medtex Corporation

Medtecs (Cambodia) Corporation Limited

Hangzhou Jincheng Medical Supplies Manufacture Co., Ltd.

RMKH Glove (Cambodia) Co., Ltd.

Corporate Milestones

1989
The beginning

1999
- Listed on Singapore Stock Exchange (SGX)
- Incorporated Medtecs (Cambodia) Corporation
- Incorporated Medtecs (Asia Pacific) Pte. Ltd.

2000
- Incorporated Medtecs (Taiwan) Corporation
- Started Hospital Services in Taiwan

2005
Started Hospital Services in the Philippines

2009
- Key PPE partner of Taiwan national stockpiling
- Largest hospital services provider in Taiwan

2013
Largest hospital service provider in the Philippines

2015
Incorporated MMSEZ in Cambodia

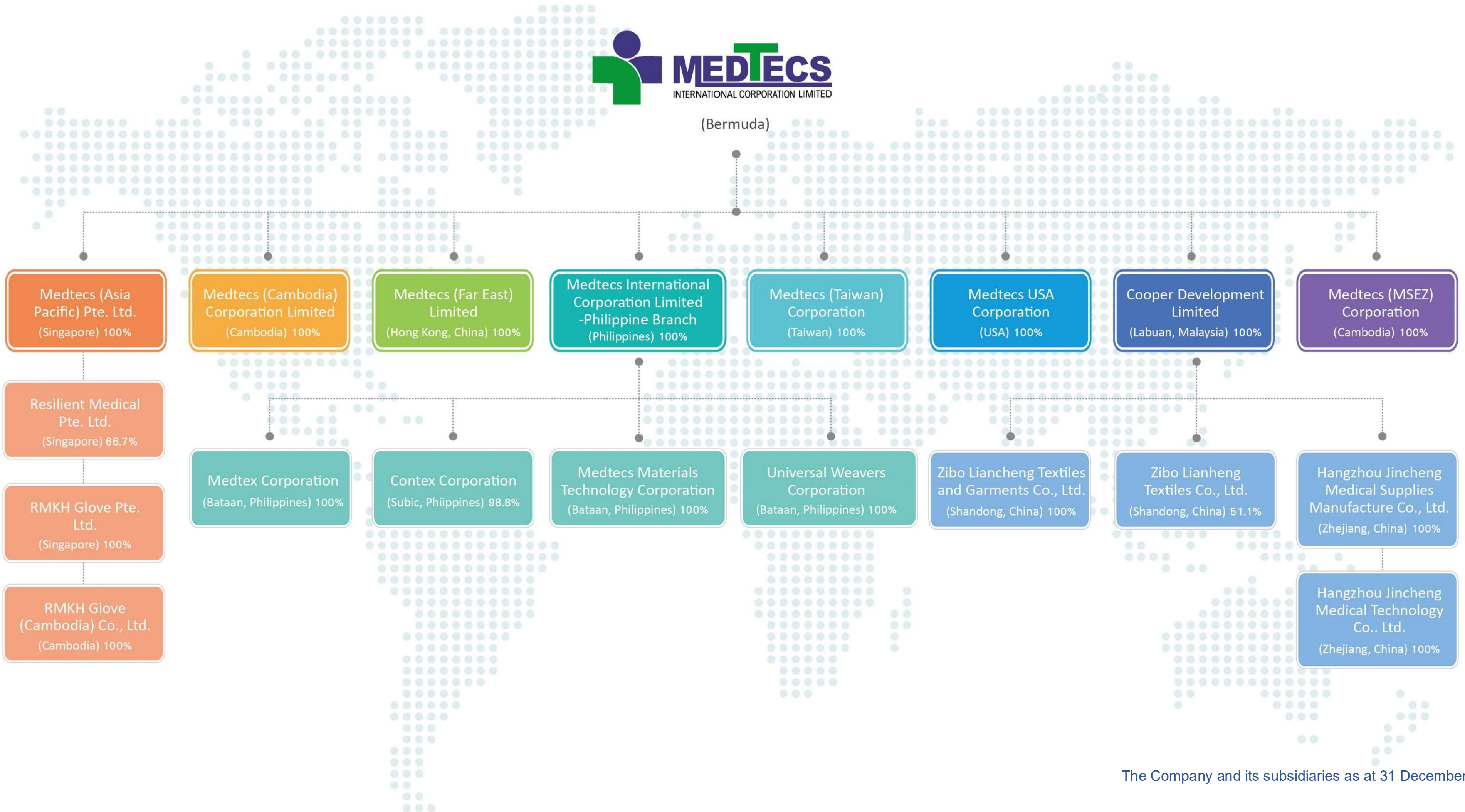
2018
- Commenced B2B e-commerce business
- Source and sell globally

2020
- One-stop shop for PPE
- Commence B2C e-commerce trading
- Expand online and offline sales and distribution network

2021
- Integrations
- Global Stockpiling Service
- Global Procurement Platform

2022-
- Production of disposal nitrile gloves in Cambodia through the joint venture between the Group's Singapore subsidiary and ACO International Limited
- Continue to build a Global Procurement Platform

Corporate Structure



The Company and its subsidiaries as at 31 December 2022

Chairman's Message

Dear Shareholders,

I am pleased to present to you the operational and financial results of the Group for the financial year ended 31 December ("**FY**") 2022, as well as the Group's 2023 outlook.

In FY2022, which marked the third year of the COVID-19 pandemic, the world began to adapt to living with the virus. However, the ongoing Russo-Ukrainian War has increased geopolitical risks, while countries around the world are tightening monetary policies due to restructured global supply chains and inflation. These factors have led to elevated operational risks and costs to the Group.

In FY2022, the prolonged inventory correction cycle from our customers, a decline in average selling price, and increased costs in the construction of the glove factory adversely affected the Group's overall financial performance. After assessing the industry environment, customer feedback and overall balance sheet position, the Company decided to recognise provisions for inventory loss and expected credit loss on receivables. While this decision had a negative impact on the Group's near-term profitability, it was made with an aim to strengthening the Group's future operations.

Looking ahead to 2023, the Group remains dedicated to adopting strategies to implementing cost-saving measures and pursuing new revenue streams. With a focus on enhancing operational efficiency, our newly-inaugurated glove factory in Cambodia has begun mass production. The Group expects growth in earnings generated by this new addition to our product portfolio in the years to come. In addition, the Company is evaluating the benefits of solar power and energy storage services to align with global sustainability trends. We will provide further information on our plans as they develop and seek the necessary approvals from shareholders at the appropriate juncture.

On 14 April 2023, the Company applied to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for a two-month extension on its reporting deadlines for FY2022, seeking to hold its annual general meeting ("**AGM**") by 30 June 2023 and to issue its annual report by 15 June 2023. The extension application was submitted due to anticipated delays in the completion of the Company's audit by the auditors. The delay stemmed from the implementation of a new Enterprise Resource Planning ("**ERP**") system in the Philippines, additional reconciliation procedures, and the setup of a new glove factory in Cambodia. On 25 April 2023, the SGX-ST informed the Company it had no objection to the Company's application for an extension of time to hold its AGM by 30 June 2023 with regard to compliance with Rule 707(1) of the Catalist Rules

The Year FY2022 In Review

Decline in Revenue Due to Recognised Loss

In FY2022, the Group faced headwinds as global demand for personal protective equipment ("**PPE**") declined amongst our customer base due to prior stockpiling. The Original Product Manufacturing division, the Group's main source of revenue, saw a steep decline of nearly 70% in full-year revenue compared to the previous year. This decline, coupled with the significant costs incurred in the construction of the new glove factory, our one-time inventory provision and accounts receivable to offset the loss of price decline, resulted in a significant decline of 61% from the previous year, generating a total revenue of US$56.24 million. These factors have combined to generate an after-tax net loss of US$29.26 million for the year.

Balance Sheet Remains Stable

We faced a challenging business environment in FY2022 due to the decline in global demand and average selling price ("**ASP**") of PPE, as well as lower orders from our existing clients from oversupply in their inventories. We adopted a conservative approach and recognised an inventory provision amounting to US$11.7 million in preparation against possible loss from market price decline. While the approach is not favourable for near-term profitability, it can minimise adverse impact inventory obsolescence in future. Moreover, with the construction of the glove factory now completed, such large capital expenditure is not expected in 2023.

FY2022 saw the Group utilising cash of US$30.92 million for its operating, investing, and financing activities. Nonetheless, the Group's cash position remained robust at US$18.12 million at the end of FY2022, with a low financial leverage ratio of only 10%. Looking ahead, the Group is committed to implementing measures to increase revenue and reduce costs, which is expected to drive improved financial performance.

Mass Production of the Glove Factory

On 30 September 2022, the Group's subsidiary, RMKH Glove (Cambodia) Co., Ltd, completed construction of a medical-grade nitrile glove factory in Manhattan Special Economic Zone in Cambodia and commenced mass production on the same day.

Looking back on the first half of FY2021, the site of the factory was initially an overgrown land. The Group encountered various challenges during the construction due to the pandemic and disruptions in the supply chain. Our colleagues worked hard to overcome the obstacles, and today, we celebrate the successful completion of the factory, which marks a significant milestone in the Group's future growth.

At the opening ceremony, I expressed my gratitude to HE. Dr. Hun Manet (Deputy Commander in Chief of Royal Cambodian Armed Forces and Commander in Chief of the Cambodian Army), High Representative of the Cambodian Prime Minster, Samdech Techo Hun Sen, and other high-ranking officials from the government of Cambodia for their support and assistance in the mass production of RMKH's glove factory. The factory is the first of its kind to manufacture medical-grade nitrile gloves in Cambodia, as well as the Group's largest investment project to date. We are proud to be able to fulfil both local and overseas health and medical needs.

The Group has long been recognised as the go-to provider of head-to-toe personal protection for the public and health care professionals. The addition of the glove factory not only increases the Group's production capacity but also expands the Medtecs' product offering. This marks the start of the Group's future expansion strategy to become the first multi-national group purchasing organisation in Asia, highlighting the Group's strategic planning in the face of global supply chain restructuring.

Outlook for 2023

Capitalising on the China Plus One Strategy

Looking ahead to 2023, while the disruptions caused by the pandemic are gradually coming to an end, the global supply chain has been permanently reshaped. Customers, particularly those in Europe and the United States, now seek supplier diversification driven by the China Plus One strategy. With our deep roots in the Philippines and Cambodia, our geographical advantages are more significant than ever amid the restructuring of the global supply chain. Our glove factory was a crucial strategic response to this trend. By forming an alliance with European and American partners, we have built a state-of-the-art nitrile glove factory outside of China, which will not only expand our product portfolio, but will also further strengthen our key position in the supply chain.

Continuing to Strengthen E-Commerce Business

As a leading provider of PPE, we have long established a strong reputation for delivering high-quality Original Equipment Manufacturing ("**OEM**") service to our customers. Our market penetration of own-brand PPE and related protective solutions in the global market has expanded through e-commerce platforms like Amazon. In FY2022, our E-commerce business grew by over 50% and we are proud to have been ranked amongst the Best Sellers in Taiwan on Amazon. We believe that in FY2023, E-commerce will remain a key growth area for the Group.

Expanding Product Mix

As market demands continue to evolve, we have taken steps to diversify our product portfolio to include in-demand healthcare items like anti-viral disinfectants, wipes, home healthcare products such as acne patches, hydrocolloid bandages and dressings, as well as medical devices with AI capabilities. These initiatives reflect our commitment to supporting customer health and enhancing our business resilience by tapping into emerging market trends and reducing dependence on a single product category.

Enhancing Supply Chain Management

The Company acknowledges the challenges posed by the decline in global demand of PPE and lower orders from existing clients. In response, we are proactively enhancing our supply chain management to ensure we can respond quickly to changes in demand. We are improving our forecasting and demand planning, optimizing inventory levels, and establishing close partnerships with suppliers and distributors. Through better inventory management we will reduce the risk of overstocking or stock shortages, enabling us to be more responsive to customer needs and position ourselves for growth in the future.

Renewable Energy as Sustainable Growth Strategy

To keep pace with global sustainability trends, the Company has set its sights on exploring the potential benefits of solar power and energy storage services. As part of the effort, we are currently exploring the possibility of installing solar panels in our existing factories and pursuing renewable energy opportunities in collaboration with strategic partners in Cambodia and the Philippines.

Acknowledgement

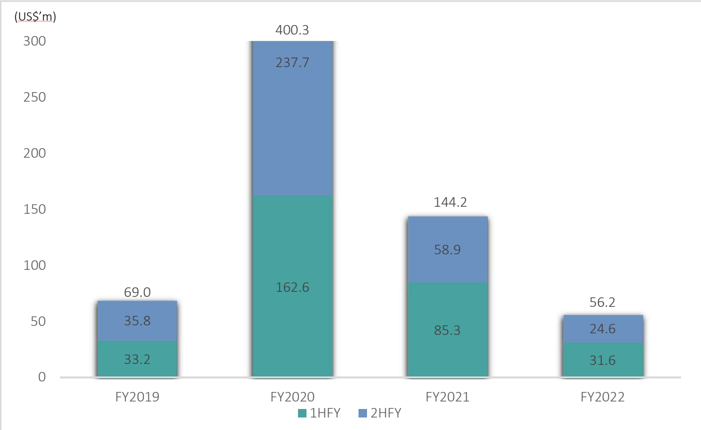
Since our establishment 34 years ago, the Group has weathered numerous challenges. We are grateful to our dedicated employees, customers, and shareholders for their unwavering trust and support, which have allowed us to keep moving forward. We are fully aware that achieving corporate sustainability is no easy task. Only by giving consideration to both experience and change can we pass the test of the times. We ask for your ongoing support, understanding, and trust in our vision. Together, we will continue to navigate the ever-changing business landscape and emerge even stronger. Thank you for believing in Medtecs.

Clement, Yang Ker-Cheng
Chairman

Financial Highlights

Revenues declined in FY2022 following decline in global demand and non-recurring orders from FY2021

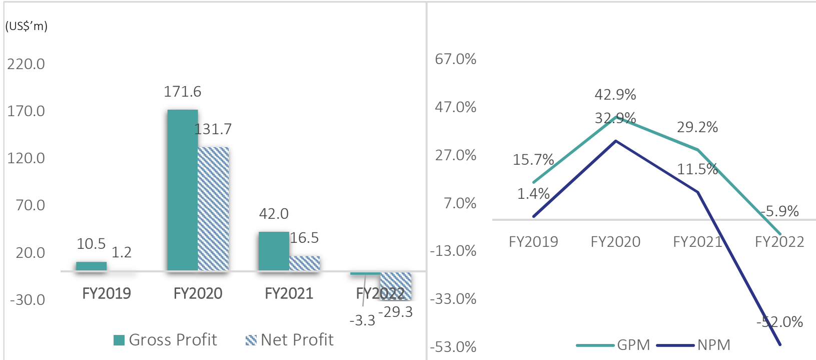
Historical Revenue



Revenue Breakdown by Business Segment and Geography

FY2022 noted decline in profits and margins from lower demand and decline in market prices

Historical Profits and Margins



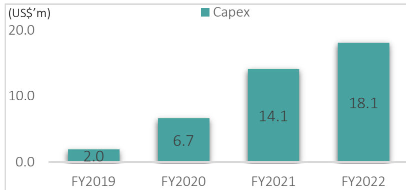
- Significant decrease in profit margins in 2022 was due to the decline in global demand and market prices of personal protective equipment and facemasks, resulting for the Group to recognise provision for inventory losses amounting to US$11.7 million.
- The Group continued with its marketing efforts to increase its online e-commerce presence to engage more customers with existing and new products such as home healthcare items. This allowed the Group to expand its reach and maintain its leverage on its online operations like Amazon US.

Financial Position

Balance Sheet Highlights

(US$'m)	As at 31 Dec 22	As at 31 Dec 21
Cash and cash equivalents	18.1	49.0
Inventories	36.4	49.7
- Inventory days	223	177
Account Receivables	30.4	42.3
- AR days	197	107
Account Payables	6.4	7.8
- AP days	39	28
Key Ratios		
Debt / Equity (x)	0.2x	0.1x
Net Debt / Equity (x)	n.m.	n.m.

Capex level – To complete construction of new glove factory



(US$'000)	FY2022	FY2021
Cashflow from operating activities	(4,053)	30,104
Cashflow from investing activities	(23,901)	(15,389)
Cashflow from financing activities	(2,961)	(47,484)
Net cash outflow	(30,915)	(32,769)

Financial Review

Business Overview

The Group's revenue decreased by 61.0% to US$56.2 million in FY2022 from US$144.2 million in FY2021 due to (1) lower sales arising from a decline in global demand and ASP of PPE and facemasks and (2) lower orders from our existing clients from oversupply in their inventories and non-recurring orders from FY2021. Such global trends and a decrease in recorded COVID-19 cases and easing of COVID-19 prevention measures in most countries has significantly affected the buying habits of most of our key customers, which has in turn affected our revenues and margins. To mitigate the impact, the Group continued with its marketing effort to increase its online e-commerce presence with the hope to engage more customers with existing and new products such as home healthcare items. We remain committed to delivering high-quality products and expanding our reach through e-commerce platforms like Amazon. Net profit decreased significantly by 277.2% to US$29.3 million net loss in FY2022 from US$16.5 million net profit in FY2021, due to lower demand for the Group's PPE and lowered margins as well as an increase in inventory provisions in FY2022.

The Group revenues declined by 61% to US$56.2 million and generated a net loss of US$29.3 million on drop in global demand of PPEs and provisions from inventory

Revenue

Revenue from the Original Product Manufacturing ("**OPM**") division decreased by 69.7% to US$35.7 million in FY2022 from US$117.9 million in FY2021 due to lower sales of PPEs and facemasks arising from a decline in global demand.

Revenues from Hospital Services division decreased slightly by 4.4% to US$14.3 million in FY2022 from US$15.0 million in FY2021 due to decreased linen consumption in Taiwan and Philippines. Revenues from Distribution and Others decreased by 44.4% to US$6.3 million in FY2022 from US$11.2 million in FY2021 due also to lower demand in Taiwan.

Profitability

The Group's gross profit decreased significantly by 107.9% to US$3.3 million gross loss in FY2022 from US$42.0 million gross profit in FY2021 arising from lower sales demand and recognition of provision for inventory losses amounting to US$11.7 million following the decline in ASPs of PPEs and facemasks in the global market. This led to a decrease in the Group's gross profit margins to a negative 5.9% in FY2022 from a positive 29.2% in FY2021. Without the provision for inventory losses, the Group's gross profit would be approximately US$8.4 million with gross margins of 15.0% in FY2022.

Gross profit from the OPM division decreased significantly by 115.6% to US$5.6 million gross loss in FY2022 from US$35.9 million gross profit in FY2021 due to lower sales and inventory losses from low global market prices of products and inventory provisions in FY2022. This also resulted in the gross profit margins of the OPM division to decline by 151.5% to negative 15.7% in FY2022 from positive 30.5% in FY2021.

Hospital Services division gross profit decreased by 8.3% to US$1.8 million in FY2022 from US$1.9 million in FY2021 arising from lower linen consumption in Taiwan and Philippine hospitals.

Gross profit from Trading, Distribution and Others division decreased by 88.3% to US$487,000 in FY2022 from US$4.1 million in FY2021 due also to lower sales and inventory losses from lower ASPs.

Other operating income net increased by 39.5% to US$2.5 million in FY2022 from US$1.8 million in FY2021 from foreign exchange gains and scrap sales.

Distribution, selling and administrative expenses increased by 14.3% to US$29.7 million in FY2022 from US$26.0 million in FY2021 from expected credit losses on receivables derived from aging and higher marketing and depreciation costs.

Financial expenses increased by 6.7% to US$1.0 million in FY2022 from US$0.9 million in FY2021 due to higher bank borrowings.

Income tax expenses decreased by 440.9% to US$1.4 million income tax benefit in FY2022 from US$0.4 million income tax expense in FY2021 arising from future taxable deductions of the Group.

Net profit decreased significantly by 277.2% to US$29.3 million net loss in FY2022 from US$16.5 million net profit in FY2021 due to lower sales and margins for PPE and facemasks and provisions for inventory losses and expected credit losses on receivables derived from aging.

Cash Flow and Statements of Financial Position

Total assets of the Group decreased by US$33.6 million to US$182.0 million in FY2022 from US$215.6 million in FY2021 due primarily to decrease in cash from payments of cash dividends, purchase of treasury shares, and construction costs from the glove factory in Cambodia. Inventories also decreased to US$36.4 million in FY2022 from US$49.7 million in FY2021 as a result of the provision for inventory losses. Trade receivables decreased to US$30.4 million in FY2022 from US$42.3 million in FY2021 mostly from collections from customers and provision for expected credit losses. Property, plant and equipment increased to US$45.8 million in FY2022 from US$32.1 million in FY2021 as a result of the completion of the glove production facility constructed in Cambodia.

The Group had an operating cash outflow of US$4.1 million in FY2022 as compared to operating cash flows of US$30.1 million generated in FY2021, attributable to the new operation loss for the period and commitment of cash towards fixed deposits. Cash outflow for investing activities increased to US$23.9 million in FY2022 from US$15.4 million in FY2021, mainly attributable to the additional cost incurred from construction of the glove factory in Cambodia and bonds amounting to US$3.0 million acquired by the Group in Cambodia and increase in quoted equity investments in Taiwan. Cash outflow from financing activities of US$3.0 million came from payments of cash dividends, interest and lease liabilities and purchase of treasury shares, partially offset by new bank borrowings.

Business Outlook and Prospects

Looking ahead to 2023, the world is returning to a state of normalcy post COVID-19. However, the pandemic has highlighted the importance of healthcare products and the crucial role companies like Medtecs play in disease prevention and safeguarding global health. As a leading provider of PPE, we have expanded our market penetration of own-brand PPE and related protective solutions in the global market through e-commerce platforms like Amazon. E-commerce will remain a key growth area of the Group as we expand product offering and our reach from Asia, USA to new markets such as Singapore through E-commerce.

The Company's subsidiary, Resilient Medical Pte. Ltd., has recently inaugurated its technologically-advanced nitrile glove factory in Cambodia in Q42022. Commencement of operations at the factory has further diversified our product portfolio and will strengthen our position as a key player in pandemic and disease prevention. The nitrile glove factory complements our current production capacity in Cambodia, Philippines and China as we pursue more stockpiling business for government projects worldwide.

To broaden our customer base, the Group has expanded into business-to-consumer ("**B2C**") services and is leveraging the increased consumer awareness for its Medtecs and CoverU brands. We plan to seek collaboration and franchising opportunities for our enhanced portfolio of products through our extensive network of retail partners.

As the world adapts to living with COVID-19, the Group is focused on pursuing growth opportunities to future-proof our market position. To meet changing needs of the market, we have started to diversify our product portfolio to include in-demand healthcare items like anti-viral disinfectants, wipes, home healthcare products such as acne patches, hydrocolloid bandages and dressings, as well as medical devices with AI capabilities. These initiatives aim to support customer health and enhance our business resilience by tapping into emerging market trends and reducing dependence on a single product category.

The Company recognises the challenges posed by the decline in global demand and ASP of PPE, coupled with lower orders from existing clients due to oversupply in their inventories and non-recurring orders from FY2021. In response, we are enhancing our supply chain management to ensure we can respond quickly to changes in demand. We are improving our forecasting and demand planning, optimizing inventory levels, and working more closely with suppliers and distributors. By enhancing our supply chain management, we hope to manage our inventory better and reduce the risk of overstocking or stock shortages. This will enable us to be more responsive to customer needs and position us for growth in the future.

Meanwhile, to keep pace with sustainability trends, subject to listing rules and shareholders' approval, the Company is exploring the possibility of foraying into the renewable energy market to develop another growth driver. This may include investing in renewable energy together with external strategic partners to meet the requests from our clients for more green manufacturing in the future. We intend to focus on evaluating the merits of solar power and energy storage services, including installation of solar panels in our existing factories. More information on our future plans will be provided to, and requisite approvals will be obtained from, shareholders at the appropriate juncture if and when these proposals materialise.

Despite the challenging business environment, we remain confident in our ability to navigate these conditions and deliver long-term value for our shareholders.

Manufacturing

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



Post COVID-19, the manufacturing operations look to benefit from the expanded product base with the completion of the nitrile glove factory in Cambodia through its subsidiary, Resilient Medical Pte. Ltd. The Group is also entering strategic partnership and alliances with suppliers to enhance its supply chain management to ensure flexibility on changing demands in our product lines.

The Group will also leverage on the heightened awareness of our healthcare and safety products globally. We have also invested in branding and marketing initiatives to develop and promoted the “Medtecs” and “CoverU” brands for both facemasks and PPEs and will leverage on the brand. We have boosted our E-commerce sites like Amazon and retail chains to make our products more accessible globally.

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

Hospital Services

Our Hospital Services division provides us with a stable source of income. We are looking to strengthen our market presence and grow our market share in both Philippines and Taiwan with more hospitals outsourcing trend for non-core hospital operations over the region. We are also undertaking cost-reduction procedures to optimise margins on this segment.


Trading and Distribution and Others

Our trading and distribution business is critical to the Group not only as a stand-alone profit center but also provides auxiliary support to our other divisions. The Group aims to be one-stop total solutions healthcare provider and the heightened awareness on the healthcare industry has boosted this division.

Research and Development

In 2022, Medtecs continued to innovate and invest in research and development to create better healthcare solutions. In the fourth quarter of 2022, we started to manufacture nitrile gloves in our fully automated glove factory in Cambodia. Nitrile gloves are known for exceptional durability, tear-resistance, and longevity, and are a suitable alternative for individuals with latex allergies. They are ideal for use in medical examination and food processing settings.

Another new product is Coverall Light, which offers basic chemical protection and is designed for enhanced breathability and comfort, and a great addition to our existing PPE collection.

We also launched a range of products aimed at providing enhanced levels of comfort and protection for various occupational settings, such as scrub suits, alcohol wipes, acne patches and hydrocolloid dressings. Our OMO acne patches boast greater application convenience compared to conventional products on the market, while also reducing the risk of cross contamination with its unique peel-and-stick design and individual packaging.

We continue to prioritise the acquisition of product certifications, including two US FDA 510(k) clearances, EU Medical Device Regulation (MDR), and EU Personal Protective Equipment Regulation ("**PPER**") certifications. Our IL-4036 isolation gown is one of 4 products in the world to have attained AAMI Level 4 certification in the United States. We plan to complete registration for these products under the newly implemented, more stringent EU MDR in 2023 to ensure continued market access in Europe and the United States.

Looking ahead to 2023, we anticipate launching 3D masks with the least pressure differential and protective clothing suitable for use in cleanroom environments. Our research and development efforts will continue to be directed towards product differentiation with a focus on enhancing the value of our brand and products.

Corporate Social Responsibility

The world has been working to overcome the pandemic for the past three years. In line with our vision to better the world's health for everyone, everywhere, Medtecs has been donating PPE and medical supplies worldwide, with recipients ranging from frontline workers, school children to the elderly and other vulnerable communities who needed us the most. At the same time, we are fully committed to the three pillars of sustainability - Environmental, Social, and Governance ("**ESG**") - and recognises the importance of integrating these values into our business practices. To further our commitment, we have been organizing lectures, training sessions and activities for our employees to deepen their knowledge and understanding of ESG issues. We strive to be a responsible corporate citizen and make a positive impact on the world through our business practices and community involvement.

Taiwan

In July 2022 we officially launched our Medical Supply Donation Program. This program allows any organisation in need of medical supplies to apply for essential medical supplies through our official website. The Taipei Medical University Mountain Social Medical Service Team, for example, has used the program to send Medtecs supplies to remote areas to support those affected by the pandemic. We continued to donate masks and other PPE items to various government units, public welfare groups, and non-profits. For example, we donated anti-viral spray, flight suits, and health kits to the Chinese Olympic Committee, Tug-of-War Sports Association, Taiwan Jiu-Jitsu Association, and Marathon Association to help protect the athletes' health when they traveled for competitions.

Mask donation to Taitung County Government

To further our commitment to community engagement, we have implemented a paid volunteer leave policy for our employees in Taiwan, allowing them to use their paid time off to volunteer at qualified non-governmental organisations ("**NGOs**") or non-profit organisations. On December 16, 2022, we partnered with "Taiwan Organic Lifestyle and Environmental Education Promotion Association" to organise a company-wide mountain clean-up. Throughout the year, the Taipei office collaborated with various NGOs to provide lectures on topics such as environmental conservation, climate change, and healthy and sustainable eating in order to foster a stronger understanding of sustainable practices among our staff.

Mask donation to St. Theresa Opportunity Center

Philippines

Through its various initiatives, Medtecs Philippines demonstrated the Group's commitment to bettering the health and well-being of the community we operate in. To help reach wider recipients, Medtecs Philippines collaborated with the Alagang Kapatid Foundation, Inc. ("**AKFI**") twice in 2022. Via the "Protecsyonan ang Kalusugan" program, a cash donation of Php96,000, which was raised from proceeds of Medtecs face masks sales, as well Medtecs face masks went to different AKFI beneficiaries in the country. Following the success of the "Protecsyonan ang Kalusugan" program, Medtecs and AKFI teamed up through the "Happy Eskwela" project to serve more than 500 students from remote communities by providing them with school supplies and other essentials to prepare for the reopening of face-to-face

classes in August 2022. Provision of at least 10 Medtecs face masks per student were included in the Happy Eskwela pack.

Happy Eskwela Project with Alagang Kapatid Foundation to donate school supplies and other essentials to students from remote communities in the Philippines

SCOPES program - Cecilio Apostol Elementary School

In 2022, Medtecs Philippines introduced the Selfless Contribution of Protective Equipment to Society (“**SCOPES**”) program, which is designed to institutionalise the Company's donation of PPEs and medical supplies. Since its launch in October, the program has had a total of 13 beneficiaries, mostly public school students who received our kids face masks. This was especially timely as the government ordered the full implementation of face-to-face classes for public schools.

SCOPES program – San Jose Elementary School

In December, Medtecs Philippines’ employees from both the Makati office and Bataan factory shared their time and talent to prepare special holiday gift packs made from recycled shoe boxes. These upcycled shoeboxes contained Medtecs’ kids face masks and chocolate treats as part of SCOPES’ “Christmas is Caring… for the Children and the Environment” initiative. These gift packs were distributed to 200 children from the Special Program on Relevant Engagement and Advocacy for the Displaced and the SOS Children’s Village – Bataan.

Overall, through SCOPES, Medtecs Philippines donated 1,860 boxes of facemasks worth 446,400 Philippine pesos.

Cambodia

In Cambodia, we continued efforts to support the local community in 2022 through various initiatives. In furtherance of our belief in the transformative power of education and in empowering the local community, we teamed up with the Ministry of Education and UNESCO to provide literacy training to 43 students from Kompong Cham province, with two teachers sponsored by Medtecs Group and a total of 480 hours of lessons conducted at our Kampong Cham factory in March 2022. On June 1, 2022, in celebration of Children’s Day, we donated notes, pens and pencils and other school supplies to the students of Hun Sen Primary School, benefiting roughly 400 children. We also donated cash as well as face masks to those in need. These donations were well received and greatly appreciated by the recipients, including the Ministry of Land Management, Urban Planning & Construction, the Ministry of Labor, and other key government units.

Corporate Directory

Board of Directors

Clement Yang Ker-Cheng
Chairman · Executive Director

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

Lim Tai Toon
Lead Independent Director

Carol Yang Xiao-Qing
Independent Director

Nieh Chien-Chung
Independent Director

Audit Committee

Lim Tai Toon
Chairman

Carol Yang Xiao-Qing
Member

Nieh Chien-Chung
Member

Remuneration Committee

Nieh Chien-Chung
Chairman

Carol Yang Xiao-Qing
Member

Lim Tai Toon
Member

Nominating Committee

Carol Yang Xiao-Qing
Chairman

Lim Tai Toon
Member

Nieh Chien-Chung
Member

Clement Yang Ker-Cheng
Member

William Yang Weiyuan
Member

Company Secretaries

Abdul Jabbar Bin Karam Din
Company Secretary

Codan Services Limited
Assistant Company Secretary

Share Transfer Agent

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

Sponsor

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

Registered Professionals:
Evelyn Wee Kim Lin
Howard Cheam Heng Haw

Registered Office in Bermuda

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

Correspondence

11F, No. 9, SongGao Rd., Xinyi District
Taipei City 110, Taiwan
Tel: +886-2-2739-2222
Fax: +886-2-2729-8055
http://www.medtecs.com

Auditors

Lead Auditor
Ernst & Young LLP
(A Member Firm of Ernst & Young Global Limited)
North Tower Level 18
1 Raffles Quay
Singapore 048583

Partner in Charge:
Yong Kok Keong
(From 29 September 2022)

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

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

Principal Bankers

Bank of Taiwan
No. 120, Sec. 1, Chongqing South Rd., Zhongzheng Dist., Taipei City 100, Taiwan

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

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

Taipei Fubon Bank
No. 169, Sec. 4, Ren'ai Road, Daan District, Taipei City 106, Taiwan

First Commercial Bank
No.30, Sec. 1, Chongqing South Rd., Zhongzheng Dist., Taipei City 100, Taiwan

Investor Relations

investor.relations@medtecs.com

Profile of the Board of Directors

Mr Clement Yang Ker-Cheng

Chairman · Executive Director

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

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

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

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

Mr William Yang Weiyuan

Deputy Chairman · Executive Director · Chief Executive Officer

(Appointed as Director in 2013 and subject to re-election in 2023)

Mr William Yang Weiyuan was appointed as an Executive Director on 2 September 2013. Mr William Yang was appointed as the Company's Chief Executive Officer, in place of Mr Clement Yang, on 2 May 2018 and was subsequently appointed as the Company's Deputy Chairman on 26 February 2021.

Mr William Yang graduated from New York Institute of Technology with a degree in Electrical and Computer Engineering in 2005. He is the General Manager of the Company's wholly-owned subsidiaries, namely Medtecs (Taiwan) Corporation since 1 July 2010 and Hangzhou Jincheng Medical Supplies Manufacture Co., Ltd. since 2008. As General Manager of two subsidiaries, he takes an active role in the marketing, production, human resources and finance departments.

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

Mr Lim Tai Toon

Lead Independent Director · Audit Committee Chairman

(Appointed as Director in 2010 and subject to re-election in 2023)

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

Mr Lim spent the earlier part of his career with the Singapore Armed Forces before embarking on a broad and varied financial and business career. Since 1994, Mr Lim had worked in a number of SGX listed companies; as financial advisor of REA Ltd (formerly known as Superior Fastening Ltd), as executive director of Eastgate Technology Limited (2006 to 2009), managing director of Vashion Group Limited (formerly known as Startech Electronics Limited) from 2003 to 2006 and vice-president (corporate affairs) of Ipco International Limited (1995 to 1996). Between those years, Mr Lim also founded a software development company and was based in China as Country chief executive officer for an Asian company from 1996 to 2000. In addition, Mr Lim served as adjunct lecturer with Loughborough University for 17 years till 2020 and was a council member of BGST.

Currently, Mr Lim is a co-founder of a group of missional companies with focus on social impact and the General Manager of Student Castle Property Management Service (UK) with Cuscaden Peak Investment. He is also an independent director and AC Chairman of Medinex Ltd Since 2018.

Mr Lim holds a Master of Business (Information Technology) from Curtin University of Technology (Australia), Master of Business Administration from Henly Management College (United Kingdom) and Bachelor of Accountancy from National University of Singapore (Singapore). He is a Fellow Chartered Accountant of The Institute of Singapore Chartered Accountants.

Ms Carol Yang Xiao-Qing

Independent Director · Nominating Committee Chairman

(Appointed as Director in 2005 and re-elected in 2022)

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

Ms Yang is Vice President and China Chief Representative of Give2Asia. She is the co-founder of Galaxaco China Group LLC., which is an International Investment Advisory and

Development Firm. Ms Yang has been working to support international corporations investing in China. Ms Yang has extensive experience in inbound investments, international business developments, and state regulatory matters. She has been engaged in hands-on project development in China and has served as senior advisor to multinational companies. Ms Yang was once employed as a foreign expert by the State Council of China. For three years in a row from 2007 to 2009, Ms Yang received the award for Best Foreign Investment Advisor from the City of Guangzhou. Ms Yang joined Give2Asia in 2018. In 2020, she led the China team to actively support China's efforts to respond to the COVID-19 outbreak and completed donations worth more than 10 million U.S Dollars.

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

Dr Nieh Chien-Chung

Independent Director · Remuneration Committee Chairman

(Appointed as Director on 8 August 2019 and re-elected in 2022)

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

Dr Nieh is currently a professor of Tamkang University and National Taipei University. He was also formerly a professor in National Cheng-Chi University. Dr Nieh holds an MBA in Finance in Baruch College, New York, USA. He also holds an MSc in Industrial Engineering, an MA in Economics and a PhD in Economics in Rutgers University, New Jersey, USA.

Financial Calendar

FY 31 December 2022

Announcement of Full Year Results

28 February 2023

Annual General Meeting

On 30 June 2023 (with an extension of time to hold AGM granted from the SGX-ST)

FY 31 December 2023

Announcement of Half Year Results

Middle of August 2023

Announcement of Full Year Results

Last week of February 2024

Report on Corporate Governance

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

The Company has published its Sustainability Report as a standalone report on 31 May 2023, in line with the requirements on sustainability reporting prescribed by the SGX-ST.

This report describes the corporate governance framework and practices of the Company that were in place during FY2022 with specific reference made to the principles and provisions of the revised Code of Corporate Governance (the "**2018 Code**") issued in August 2018, which forms part of the continuing obligations of the Company under the listing rules of the SGX-ST.

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

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

(A) BOARD MATTERS

Board's Conduct of its Affairs

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

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

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

The Board assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. Through the Board's supervision of the management of the business and affairs of the Group, the Board is able to set the appropriate and desired organisational culture and ensures proper accountability within the Company. The Board is also responsible for providing corporate direction, monitoring managerial performance and reviewing financial results of the Group. In addition, the Board is directly responsible for decision making in respect of the following matters:

a. approve the business strategies including significant acquisition and disposal of subsidiaries or assets and liabilities;
b. approve the annual budgets, major funding proposals, significant capital expenditures and investment and divestment proposals;
c. approve the release of the Group's half year and full year financial results and interested person transactions;
d. oversee the processes for risk management, financial reporting and compliance, and evaluate the adequacy and effectiveness of internal controls, as may be recommended by the Audit Committee ("**AC**");
e. review the performance of management, approve the nomination to the Board and appointment of key management personnel ("**KMP**"), as may be recommended by the Nominating Committee ("**NC**");
f. review and endorse the framework of remuneration for the Board and KMP, as may be recommended by the Remuneration Committee ("**RC**");
g. corporate policies in keeping with good corporate governance and business practice; and
h. consider sustainability issues, e.g. environmental, social and governance factors, as part of the strategic formulation.

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

The Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Directors are of the view that they have objectively discharged their duties and responsibilities at all times as fiduciaries in the interest of the Company for FY2022. Directors are entitled to request from Management and should be provided with additional information as needed to make informed decisions. The Directors further understand that they must avoid situations in which their own personal or business interests directly or indirectly conflict or potentially conflict with the interest of the Group. Where a Director has a conflict or potential conflict of interest in relation to any matter, he will immediately declare his interest at the meeting of the Directors or send a written notice to the Chairman and/or Company Secretary, setting out the details of his interest and the conflict and recuse himself from any discussions on the matter and abstain from participating in any Board decision.

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

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

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

Board Committees

To assist the Board in the execution of its responsibilities, the Board has established Board committees, namely the AC, the NC and the RC (collectively, the "**Board Committees**"), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. Each Board Committee is formed by clear written terms of reference, setting out the composition, duties, authority and accountabilities of each committee, which have also been detailed in this report on pages 40 to 58.

Board Meetings and Attendance

The Board meets on a quarterly basis and whenever necessary for the discharge of their duties. Dates of the Board meetings are normally set by the Directors well in advance. Telephonic attendance and conference audio-visual communication at Board and Board Committee meetings are allowed under the Company's Bye-Laws. Decisions of the Board and Board Committees may also be obtained through circular resolutions. The Board with the concurrence of the NC is of the view that the Directors have actively participated in Board and committee meetings, and that each Director has dedicated sufficient time and attention to the affairs of the Group for FY2022, regardless of their other board representations.

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

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

Induction and Training of Directors

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

The NC ensures that new Directors are aware of their duties and obligations and is tasked with deliberating whether a Director is able to and has been adequately carrying out his/her duties as a Director. At the time of their appointment, Directors are provided with formal letters setting out their duties and obligations. Newly appointed Directors will be interviewed by the Sponsor and be given briefings by the Executive Chairman and/or the Chief Executive Officer ("**CEO**") and/or management of the Company on the business activities of the Group and its strategic directions and corporate governance practices.

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

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

On 15 December 2021, the SGX-ST announced that all directors of listed issuers are to undergo a one-time training on sustainability from 1 January 2022. The Directors had attended the Environmental, Social and Governance Essentials course conducted by the Singapore Institute of Directors on 31 May 2022.

Access to Information

To assist the Board in fulfilling its responsibilities, the management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. The management welcomes Directors to seek explanations or clarifications from and/or convene informal discussions with the management on any aspect of the Group’s operations or business. Necessary arrangements will be made for informal discussions or explanations as and when required.

All Directors have separate and independent access to the management, the Company Secretary and external advisers (where necessary) at all times, at the Company’s expense. The Company Secretary attends all Board meetings and ensures that Board procedures and all other rules and regulations applicable to the Company are complied with. The appointment and removal of the Company Secretary are subject to the Board’s approval.

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

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

Board Composition and Balance

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

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

Executive Directors

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

Independent Directors

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

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

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

While the Board is of the view that the present combination of skills, talents, experience and diversity of its directors serves the needs and plans of the Company, as detailed above, the Board acknowledges that improvements to Board diversity are an ongoing process and the Board is fully committed to continue to ensure that the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company. Pursuant to provision 2.4 of the 2018 Code, the Board has also adopted the Board Diversity Policy in 2020. Under the Board Diversity Policy, the NC will, in reviewing the Board’s composition, rotation and retirement of Directors and succession planning, consider a number of aspects, including but not limited to gender, age, nationalities, ethnicity, cultural background, educational background, experience, skills, knowledge, independence and length of service. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately.

By 2027, the Company aims to have a minimum representation of 40% women directors on the board. This target reflects the Group's recognition of the importance of gender diversity in leadership positions and the value it brings in driving innovation and decision-making. To achieve diversity on the board, the Group will undertake the following initiatives:

a. Broaden the candidate pool: The Company will expand the search and recruitment process to attract a diverse range of candidates for board positions. This will involve actively seeking candidates from different backgrounds, including those with diverse gender, age, nationalities, cultural background, educational background, experience, skills, and knowledge.
b. Review the board appointment criteria: The Company will conduct a thorough review of its board appointment criteria to ensure they are inclusive and unbiased. This includes examining the qualifications, experiences, and skills required for board positions to identify any potential barriers that may disproportionately affect women. By adopting more inclusive criteria, the Company will be better positioned to attract a wider range of candidates and create a more gender-diverse Board.

By adhering to the Board Diversity Policy and actively working towards achieving the established targets, the Company is committed to creating a diverse and inclusive Board that reflects the broader stakeholder base and supports the Company's long-term success.

Independence of Directors

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

The NC is of the view that the three (3) independent directors (who represent more than half of the Board) are independent under Rule 406(3)(d)) of the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Rules of Catalist**"), and that there is a strong and independent element on the Board which is able to exercise objective judgment on corporate matters independently, in particular, from management, and that no individual or small group of individuals dominate the Board's decision-making process.

Effective from 11 January 2023 and pursuant to Rule 406(3)(d)(iv) of the Rules of Catalist, a director will not be independent if he has been a director for an aggregate period of more than 9 years (whether before or after listing). Such director will continue to be considered independent between 11 January 2023 and until the conclusion of the issuer's annual general meeting for financial year ending on or after 31 December 2023 (the "**Transitional Period**").

In respect of Ms. Carol Yang Xiao-Qing and Mr Lim Tai Toon, who have served on the Board for more than nine years from the date of their first appointment on 1 May 2005 and 29 October 2010 respectively, the NC has reviewed (with Ms. Carol Yang Xiao-Qing and Mr Lim Tai Toon abstaining in relation to their respective assessments) based on, amongst others, their attendance and contributions at meetings of the Board and Board Committees and confirmed that Ms. Carol Yang Xiao-Qing and Mr Lim Tai Toon may continue to be considered independent during the Transitional Period.

Taking into account the views of the NC, the Board concurs that Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon continue to demonstrate strong independence in character and judgment in the discharge of their responsibilities as the Directors of the Company. Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon have continued to express their individual viewpoints, debated issues and objectively scrutinised and challenged the management. Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon have sought clarification and amplification as they deemed required, including through direct access to the Group's employees. The Board as a whole has also considered and determined that Ms. Carol Yang Xiao-Qing and Mr Lim Tai Toon have, over time, developed significant insights into the Group's business and operations and provided valuable contributions to the Board through their integrity, objectivity and professionalism notwithstanding their years of service. Further, having gained in-depth understanding of the business and operating environment of the Group, Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon provide the Company with much needed experience and knowledge of the industry. Based on the declaration of independence from Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon, they have no association with the management that could compromise their independence. The NC and the Board have concluded that Ms. Carol Yang Xiao-Qing and Mr Lim Tai Toon continue to be considered as independent directors during the Transitional Period. Ms Carol Yang Xiao-Qing and Mr Lim Tai Toon have abstained from participating in the deliberation and decision on their independence.

The Board, after taking into account the NC's views, is satisfied that Ms Carol Yang Xiao-Qing, Mr Lim Tai Toon and Dr Nieh Chien-Chung remain as independent directors as there are no relationships or circumstances which could interfere, or could reasonably be perceived to interfere with the exercise of independent business judgment of each independent director.

Mr Lim Tai Toon is resident in Singapore. Hence, the Company is in compliance with the Rules of Catalist which requires that there should at least be one (1) independent director who is residing in Singapore.

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

Chairman and CEO

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

The Group's Chairman is Mr Clement Yang Ker-Cheng, who was also the CEO of the Company until 2 May 2018, and who plays an instrumental role in developing the business of the Group and has also provided the Group with strong leadership vision.

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

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

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

Both the Chairman and the CEO exercise control over the quality, quantity and timelines of information flow between the Board and the management. They ensure that Board meetings are held when necessary and set the Board meeting agenda in consultation with the Directors. The Chairman and the CEO review the Board papers before they are presented to the Board, and they ensure that Board members are provided with complete, adequate and timely information. Management staff who prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the papers or participate in the Board meeting at the relevant time. The Chairman and the CEO are responsible for ensuring effective communication with shareholders and the Company's compliance with the 2018 Code.

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

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

Board Membership

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

The NC comprises the following five (5) members:

Carol Yang Xiao-Qing (Chairman)
Lim Tai Toon
Dr Nieh Chien-Chung
Clement Yang Ker-Cheng
William Yang Weiyuan

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

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

- to identify candidates and review all nominations for the appointment or re-appointment of members of the Board, the managing director of the Group, and to determine the selection criteria;
- to ensure that all Board appointees undergo an appropriate induction programme;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly where the Director has multiple board representations;

- to review the independence of each Director annually, having regard to the circumstances set forth in the 2018 Code;
- to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and to evaluate the effectiveness of the Board as a whole and assess the contribution by each individual Director, to the effectiveness of the Board.

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

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

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

Pursuant to Bye-Law 86 of the Company's Bye-Laws, one-third (1/3) of the Directors shall retire from office by rotation at each AGM and each Director shall retire at least once every three (3) years. In addition, Rule 720(4) of the Rules of Catalist which came into effect on 1 January 2019 requires that all directors must submit themselves for re-nomination and re-appointment at least once every three years. A newly appointed Director is required by Bye-Law 85 of the Company's Bye-Laws to hold office until the following AGM of the Company and shall be eligible for re-election at that AGM.

In this respect, the NC has recommended that the following Directors, in pursuant of Rule 720(4) of the Rules of Catalist and Bye-Law 86 of the Company's Bye-Laws, who are retiring and/or up for re-election at the forthcoming AGM, be re-elected as Directors:

- William Yang Weiyuan
- Lim Tai Toon

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a Director.

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

Key information on the Directors is set out below:

Name of Director	Position	Date of first appointment as a Director	Date of last re-appointment as a Director	Present Directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-appointment at the AGM
Clement Yang Ker-Cheng	Chairman, Executive Director	19 November 1997	28 April 2021	None	None	• Universal Weavers Corporation • Contex Corporation • Medtex Corporation • Medtecs (Asia Pacific) Pte Ltd • Medtecs (Far East) Ltd • Medtecs (Taiwan) Corporation • Medtecs Materials Technology Corporation • Cooper Development Ltd • Medtecs (Cambodia) Corporation	No
William Yang Weiyuan	Deputy Chairman, Executive Director and Chief Executive Officer	2 September 2013	28 April 2021	None	None	• Medtecs (Taiwan) Corporation • Medtecs MSEZ Corp., Ltd • Cooper Development Ltd • Hangzhou Jincheng Medical Supplies Manufacture Co., Ltd • World Join International Ltd.	Retirement by rotation (Bye-Law 86)
Carol Yang Xiao-Qing	Independent Director	1 May 2005	29 April 2022	None	None	Give2Asia	No
Lim Tai Toon	Lead Independent Director	29 October 2010	28 April 2021	Medinex Ltd	None	• General Manager, Student Castle Property Management Service (UK) with Cuscaden Peak Investment • Food Studio Pvt Ltd (Sri Lanka) • Biblical Graduate School of Theology (Singapore)	Retirement by rotation (Bye-Law 86)
Dr Nieh Chien-Chung	Independent Director	8 August 2019	29 April 2022	• Microtips Technology Inc. • FullTech Fiber Glass Corp.	None	• GloLiv Asset Management Ltd • Tamkang University • National Taipei University	No

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

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

Name of person	William Yang Weiyuan	Lim Tai Toon
Date Of Appointment	2 September 2013	29 October 2010
Date of last re-appointment (if applicable)	28 April 2021	28 April 2021
Age	40 years old	62 years old
Country Of Principal Residence	Taiwan	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After assessing Mr William Yang's contribution and performance, the NC has recommended that Mr William Yang be re-elected as Director of the Company.	After assessing Mr Lim Tai Toon's contribution and performance, the NC has recommended that Mr Lim be re-elected as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Responsible for day-to day operations of the Group.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chief Executive Officer	Chairman of AC, a Member of the NC and the RC.
Professional Qualifications	Bachelor's Degree in Electrical and Computer Engineering from New York Institute of Technology.	Master of Business (Information Technology) from Curtin University of Technology (Australia). Master of Business Administration from Henly Management College (United Kingdom). Bachelor of Accountancy from National University of Singapore (Singapore). Fellow Chartered Accountant of The Institute of Singapore Chartered Accountants.
Working experience and occupation(s) during the past 10 years	GM of Medtecs (Taiwan) Corporation since 2010. CEO of the Group since 2018.	Independent director and AC Chairman of Medinex Ltd since 2018. Adjunct lecturer of Loughborough University till 2020.
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest in 3,000,000 ordinary shares in the capital of the Company.	Deemed interest in 20,000 ordinary shares in the capital of the Company.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Son to Mr. Clement Yang Ker-Cheng, Executive Chairman of the Company; and son to Ms Sherry Chen Su-Tien, Non-Executive Chairman of Medtecs (Taiwan) Corporation, a principal subsidiary of the Company; and brother to Ms Wan Chien Yang, general counsel of the Company, a director of Medtecs USA Corporation and Medtecs MSEZ Corp Ltd (Cambodia) and supervisor and director of Medtecs (Taiwan) Corporation.	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Name of person	William Yang Weiyuan	Lim Tai Toon
Other Principal Commitments* including Directorships# * "Principal Commitments" has the same meaning as defined in the 2018 Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8) (for the past 5 years)	• Medtecs (Taiwan) Corporation • Medtecs MSEZ Corp., Ltd • Cooper Development Ltd • Hangzhou Jincheng Medical Supplies Manufacture Co., Ltd • World Join International Ltd.	• General Manager, Student Castle Property Management Service (UK) with Cuscaden Peak Investment • Food Studio Pvt Ltd (Sri Lanka) • Biblical Graduate School of Theology (Singapore)
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal	No	No

Name of person	William Yang Weiyuan	Lim Tai Toon
proceedings (including any pending criminal proceedings of which he is aware) for such breach?		
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange?	N.A.	N.A.
If Yes, please provide details of prior experience.	N.A.	N.A.
If No, Please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

Board Performance

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

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, each Board committee separately as well as the contribution by the Chairman and each individual Director to the Board with a view to enhancing effectiveness to promote long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole and of each Board committee separately.

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

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

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

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

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

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

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

- to review Directors' fees to ensure that they are at sufficiently competitive levels;
- to assess the benefits of implementing a new share option scheme to incentivise and retain talent within the organisation.
- to review and advise the Board on the terms of appointment and remuneration of its members, CEO, KMP of the Group and all managerial staff who are related to any of the Directors or the CEO;
- to review the terms of the employment arrangements with management so as to develop consistent group wide employment practices subject to regional differences;
- to review the Group's obligations arising in the event of termination of the Executive Directors' and KMP's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
- to recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme; and
- to review and approve any proposals or recommendations relating to KMPs' remuneration.

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

There being no specific necessity, the RC did not seek the service of an external remuneration consultant in FY2022.

Level and Mix of Remuneration

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

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

Each of the two (2) Executive Directors has signed a service contract and the compensation framework for the KMP and the Executive Directors comprises monthly salaries, annual bonuses and allowances. Each Executive Director's annual bonus is determined with reference to the performance and value creation taking into account the strategic objectives of the Company. The Company's Share Option Scheme, last renewed in 2012, has lapsed on 29 May 2022. The Company is currently assessing the benefits of implementing a new share option scheme to provide long-term incentive for Directors and KMP to encourage loyalty and align the interest of the Directors and KMP with those of the shareholders. None of the service contracts has onerous removal clauses. Each of the Chairman's and the CEO's service contracts has a fixed appointment period.

Annual review of the remuneration of Executive Directors and KMP is also carried out by the RC to ensure that the remuneration of the Executive Directors and KMP is appropriate to attract, retain and motivate the directors to provide good stewardship of the Company and KMP to successfully manage the Company for the long term, and that such remuneration are commensurate with their performance and value-add to the Group, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Chairman and the CEO (along with that of other KMP) is reviewed periodically by the RC.

The NEDs have no service contracts with the Company and their terms are specified in the Bye-Laws. NEDs are paid a basic fee for serving as a Director and an additional fee for serving on any of the Board Committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account. Such fees are subject to the approval of the shareholders as a lump sum payment at the AGM. The Board is of the view that the remuneration of the NEDs for FY2022 is appropriate to the level of contribution based on the factors above.

Disclosure on Remuneration

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

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

Remuneration of Directors

Names of Directors	Based/fixed salary [1] %	Variable or performance related income/bonus [2] %	Director's fee [3] %	Total %	Remuneration Bands S$'000
Executive Directors					
Clement Yang Ker-Cheng	98%	-	2%	100%	S$500,000 and above
William Yang Weiyuan	99%	-	1%	100%	S$500,000 and above
Independent Directors					
Lim Tai Toon	-	-	100%	100%	Below S$250,000
Carol Yang Xiao-Qing	-	-	100%	100%	Below S$250,000
Dr Nieh Chien-Chung	-	-	100%	100%	Below S$250,000

[1] Base salary includes contractual bonus.

[2] Variable payment includes performance bonus and profit sharing.

[3] Approved by shareholders of the Company as a lump sum of S$284,000 at the AGM held on 29 April 2022.

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

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

[1] Base salary includes contractual bonus.

[2] Variable payment includes performance bonus and profit sharing.

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

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

The aggregate of total remuneration paid to the top five KMP (who are not Directors or the CEO) in FY2022 was S$506,000.

There was no employee who is a substantial shareholder of the Company or an immediate family member of a Director or the CEO or a substantial shareholder and whose remuneration exceeded S$150,000 during FY2022.

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

Approval of Shareholders

Directors' fees for FY2022 were approved by shareholders at the AGM convened in 2022. The remuneration framework for Executive Directors and KMP has been approved by the

RC and endorsed by the Board. The Board considers that the remuneration framework need not be approved by the shareholders.

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

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

The AC is responsible for making the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the Group can be made by the Board in the annual report of the Company according to requirements in the Rules of Catalist and the 2018 Code.

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

All audit findings and recommendations made by the internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. The Group's internal audit function follows up on all recommendations to ensure timely remediation of audit issues and reports the status to the AC every quarter. The AC, having reviewed the adequacy of the Group’s internal control systems, is satisfied that effective internal controls were put in place and supported by a sound internal audit process and is of the view that the Group’s internal audit function is independent, effective and adequately resourced.

Assurance from the CEO and the CFO

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

a. the financial records of the Group have been properly maintained and the financial statements for FY2022 give a true and fair view of the Group's operations and finances; and
b. the risk management and internal control systems in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the reviews conducted by the management and findings from both the internal and external auditors throughout the financial year, as well as the assurance from the CEO and the CFO, the Board with the concurrence of the AC, is of opinion that the Group's internal controls in addressing financial, operational, compliance and information technology risks as well as the Group's risk management system which the Group considers relevant and material to its operations were adequate and effective as at 31 December 2022.

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

Financial risks relating to the Group are set out in Note 32 to the Financial Statements of this annual report.

Audit Committee

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

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

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

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

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

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

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- reviews the half-yearly announcements and annual financial statements and the auditors' report on the annual financial statements of the Group before they are presented to the Board, focusing on:
  - significant changes in accounting policies and issues which have a direct impact on financial statements and presentation of the financial statements;
  - compliance with accounting standards, legal and the SGX-ST requirements;
  - management judgments and estimates that may have a material impact on the Group; and
  - findings of the external auditors, including significant audit adjustments and any other matters which the external auditors would like to bring to the attention of the AC;
- reviews the audit plans and scope of audit examination of the external auditors;
- evaluates the cost effectiveness, independence and objectivity of external auditors;
- reviews the adequacy of the internal audit function (including the internal accounting controls) and the scope and results of the internal audit procedures;
- ensures the adequacy of the co-operation given by management to the internal and external auditors;
- evaluates the adequacy and effectiveness of the internal control systems including financial, operational, compliance and information technology controls, and risk management of the Group by reviewing written reports from the internal and external auditors, and the management's responses and actions to correct any deficiencies;
- reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- reviews interested person transactions in accordance with the requirements of the Rules of Catalist;
- meets with the internal and external auditors, other committees, and the management to discuss any matters that these groups believe should be discussed privately with the AC;
- reviews legal and regulatory matters that may have a material impact or a possible impropriety on the financial statements, related compliance policies and programmes and any reports received from regulators;
- reviews the independence, effectiveness and adequacy of the internal audit function;
- reviews the nature and extent of non-audit services provided by external auditors; reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;
- making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately follows up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns; and
- considers other matters as requested by the Board.

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

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

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

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

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

In the course of the financial year, the AC carried out independent reviews of the financial statements of the Group before announcements of the Group's half-year and full-year results were released. In the process, the AC considered the reasonableness of estimates, judgements and assumptions made and applied by management and any significant matters which would have a material impact on the financial statements.

In its review of the financial statements for FY2022, the AC also reviewed together with management, the following key audit matters ("**KAMs**") reported by the external auditor. The AC had concurred with management on the methodologies, accounting treatments and estimates adopted, as well as the disclosures made in the financial statements, in respect of such KAMs raised. This should be read in conjunction with the Independent Auditor's Report for FY2022.

KAMs	How the KAMs were addressed by AC
Assessment of inventory valuation	The AC considered and evaluated the valuation technique applied by management, focusing on the key assumptions applied in identifying the slow-moving and obsolete inventories and assessing the amounts of allowance or write down required based on the production plan and expected future market demand as a result of changes in current market conditions and the latest invoice prices. The AC considered the findings of the external auditor, including their assessment of the suitability of the valuation technique and key assumptions applied in the inventory valuation. The AC was satisfied with the inventory valuation process, appropriateness of the valuation technique applied and key assumptions applied for the inventory as disclosed in the financial statements.
Allowance of expected credit losses ("**ECL**") for trade receivables	The AC considered and evaluated the valuation technique applied by management, focusing on the key assumptions applied in establishing the ECL impairment model through analysis of receivables ageing, review of historical credit loss experiences and consideration of data and information used by management in determining the forward-looking adjustments based on current economic condition. The AC considered the findings of the external auditor, including their assessment of the suitability of the valuation technique and key assumptions applied in the ECL impairment assessment for trade receivables. The AC was satisfied with the ECL impairment process, appropriateness of the valuation technique applied and key assumptions applied for the trade receivables as disclosed in the financial statements.
Impairment assessment on property, plant and equipment	The AC considered and evaluated the valuation technique applied by management, focusing on the key assumptions applied in the determination of the recoverable amount of these assets. The AC considered the findings of the external auditor, including their assessment of the suitability of the valuation methodology and underlying key assumptions applied in determining the recoverable amount of these assets. The AC was satisfied with the impairment review process, the valuation methodology applied and the assessment that no impairment in property, plant and equipment was required.
Impairment assessment on investments in subsidiaries.	The AC considered and evaluated the valuation technique applied by management, focusing on the key assumptions applied in the determination of the recoverable amount of investment in subsidiaries. The AC considered the findings of the external auditor, including their assessment of the suitability of the valuation methodology and underlying key assumptions applied in determining the recoverable amount of the investment in subsidiaries. The AC was satisfied with the impairment review process, the valuation methodology applied and the assessment that no impairment in investment in subsidiaries was required.

In compliance with the amendments made to the Catalist Rules 712(2) on 12 February 2021, the Company had appointed Ernst & Young LLP ("**EY Singapore**") as its auditor for FY2022 at the Company's SGM held on 29 September 2022.

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

The AC has reviewed the independence of the external auditors through discussion with the external auditors as well as by reviewing the non-audit services by the Company's independent external auditors, as set out below and the nature and extent of such services would prejudice independence of the external auditors. The AC has recommended to the Board that the external auditors be re-appointed for the ensuing year subject to shareholders' approval at the forthcoming AGM.

Fees paid/payable FY2022	($'000)	% of total
Audit fees - EY Singapore	235	49
Audit fees - SyCip Gorres Velayo & Co.	175	37
Audit fees - Ernst & Young Taiwan	29	6
Non-audit fees - SyCip Gorres Velayo & Co. and Ernst & Young Taiwan (Agreed upon procedures and transfer pricing study)	38	8
Total	477	100

The non-audit services rendered by SyCip Gorres Velayo & Co. ("**SGV**") and Ernst & Young Taiwan during FY2022 were not substantial (less than 50% of the aggregate fees paid/payable). SGV had been the Company's auditor since year 1999. In compliance with the amendments made to the Catalist Rules 712(2), the Company had appointed EY Singapore as its auditor to audit the financial statements of the Company and the Group, with SGV participating as a component auditor. The Company confirms its compliance with the Catalist Rules 712 and 715.

The AC and Board, having taken into consideration various factors, including the adequacy of the resources, the audit engagements, and the experience of EY Singapore of the professional staff who will be assigned to audit the Company's accounts, and EY Singapore's audit proposal submitted to the Company, are satisfied that the appointment of EY Singapore meets the audit requirements of the Group and will not compromise the standard and effectiveness of the audit of the Company and the Group.

The AC has accordingly recommended to the Board the re-appointment of EY Singapore as the lead auditor of the Company, with SGV as the component auditor, at the forthcoming AGM, subject to shareholders' approval.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

Engagement with Shareholders

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

Engagement with Stakeholders

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

Shareholder rights and shareholder meetings

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

Further, the Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at the AGM. The chairmen of the AC, NC and RC of the Company are present at the general meetings to answer questions from the shareholders. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders. All Board members had attended the general meeting via live webcast last year, and provided their inputs on the questions submitted by the shareholders in advance of the general meeting.

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

Separate resolutions are proposed for substantially separate issues at the meeting, unless the issues are interdependent and linked so as to form one significant proposal, in which case the Company will explain the reasons for bundling the resolutions and disclose the material implications in the notice of the general meeting. Each item of special business included in the notice of the general meeting is accompanied, where appropriate, by an explanation for the proposed resolution. All resolutions are voted by poll, following which the detailed results showing, *inter alia*, the number of votes cast for and against each resolution and the respective percentages will be announced.

The Company Secretary, with the assistance of his representatives, prepares minutes of shareholders' meetings. These minutes are available to shareholders upon request, and such minutes which record substantial comments or queries from shareholders and responses from the Board and the management are released via SGXNET and will be published on the Company's corporate website as soon as practicable after such meetings and in any case, within one (1) month from the date of the general meeting.

In line with the continuing disclosure obligations of the Company pursuant to the Rules of Catalist, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that would be likely to materially affect the price or value of the Company's shares. The Board is of the view that the Company has been compliant with the continuing disclosure obligations under the Rules of Catalist in ensuring that price and/or trade sensitive information is publicly released on a timely basis, and financial results and annual reports are announced or issued within the period stipulated under the Rules of Catalist and applicable laws. All shareholders of the Company receive the annual report and notice of AGM. The notice of AGM is also advertised in the newspapers.

The Company is committed to achieving sustainable income and growth to enhance long-term shareholder return. The Company does not have a fixed policy on the declaration of dividends. The form, frequency and amount of future dividends declared will depend on earnings, general financial position, results of operation, capital requirements, cash flow, general business condition, or development plans and other factors as the Directors may, in their absolute discretion, deem appropriate.

Engagement with shareholders

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

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

Engagement with stakeholders

The Company has identified material stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the success of the Group's business and operations. Such stakeholders include shareholders (including institutional and individual investors), customers, employees, government and policy-makers, local communities, suppliers, and financial institutions. The Company considers that addressing the feedback and needs of the material stakeholders is essential to the success of the Group's business as well as integral to achieving sustainable growth. For more on how the Company identifies material stakeholder groups, as well as the Company's strategy and key areas of focus in terms of stakeholder engagement, please refer to the Company's Sustainability Report for FY2022 which has been published on 31 May 2023. The Company engages its stakeholders through various channels to ensure that the best business interests of the Group are balanced against the needs and interests of its stakeholders.

The Group engages with their different stakeholders through their website at http://www.medtecs.com (which provides for various communication channels to the Company and its subsidiaries), at the Company's annual general meeting, through corporate publications and announcements, trade shows, charities and donations among others. Detailed explanation on this engagement process has been provided in the Sustainability Report published by the Company on 31 May 2023.

(E) MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO, each of the Directors or controlling shareholders, which are either still subsisting at the end of FY2022 or if not subsisting, entered into since the end of the previous financial year ended 31 December 2021.

(F) DEALING IN SECURITIES

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

The Company provides window periods for dealing in the Company's securities and issues reminders that the law on insider trading is applicable at all times.

The Board confirms that for FY2022, the Company has complied with Rule 1204(19) of the Rules of Catalist on dealing in securities.

(G) CATALIST SPONSOR

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is R & T Corporate Services Pte. Ltd. (the "**Sponsor**"). There was no non-sponsor fee paid by the Company to the Sponsor during FY2022. The amount of fees paid to Rajah & Tann Singapore LLP, an affiliate of R & T Corporate Services Pte. Ltd., for work done in FY2022, was approximately S$100,800.

(H) USE OF PLACEMENT PROCEEDS

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

List of Properties

DESCRIPTION	LOCATION	AREA (in sq m)	TENURE OF LEASE (yrs)
Land [1]	Srok Kampong Siam Kampong Cham Province, Cambodia	183,267	70 years
Factory Building	Srok Kampong Siam Kampong Cham Province, Cambodia	40,064	70 years
Land [1]	Manhattan Special Economic Zone, Corner Public Road, Thanh Village, Sangkat, Bavet City, Svay Reang Province, Kingdom of Cambodia	75,000	50 years
Factory Building	Manhattan Special Economic Zone, Corner Public Road, Thanh Village, Sangkat, Bavet City, Svay Reang Province, Kingdom of Cambodia	13,146	50 years
Office Space	Khan Toul Kork, Phnom Penh, Cambodia	960	2 years
Industrial Lot	7th Street, Phase II Mariveles Bataan, Philippines	17,856	25 years
Industrial Lot [2]	SBMA, Olongapo City, Bataan, Philippines	13,124	24 years
Industrial Lot	7th Street, Phase II Mariveles Bataan, Philippines	2,756	50 years
Industrial Lot	7th Street, Phase II Mariveles Bataan, Philippines	4,248	50 years
Industrial Lot	7th Street, Phase I Mariveles Bataan, Philippines	2,980	5 years
Industrial Lot	7th Street, Phase II Mariveles Bataan, Philippines	5,000	50 years
Office Space	22F, The World Centre, 330 Sen. Gil J. Puyat Ave., Makati City, Philippines	742	3 years
Factory and Office Building	Qinghe Economic Park, GaoQing County, Zibo City, Shandong, China	2,880	3 years
Factory Building	202 Zhangshan Road, Renhe Town, Yuhang District, Hangzhou, China	19,417	20 years
Land [1]	202 Zhangshan Road, Renhe Town, Yuhang District, Hangzhou, China	15,333	50 years

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

(2) This property is held for investment purposes. The property has been revalued as of valuation date, 31 December 2022, and the value amounts to an aggregate of US$3.8 million. The aggregated value of these properties do not represent more than 15% of the consolidated net tangible assets of the Group or contribute to more than 15% of the consolidated pre-tax operating profit of the Group. Further information related to the investment property is disclosed in Note 6 of the financial statements of this FY2022 annual report.

STATISTICS OF SHAREHOLDINGS

MEDTECS INTERNATIONAL CORPORATION LIMITED
AS AT 31 MAY 2023

Number of shares issued:	549,411,240
Class of shares:	Ordinary shares
Voting Rights:	On a show of hands, 1 vote for each member
	On a poll, 1 vote for each ordinary share
No. of treasury shares:	4,500,000
Subsidiary holdings:	Nil

Distributions of Shareholdings

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	12	0.16	433	0.00
100 - 1,000	516	6.82	319,682	0.06
1,001 - 10,000	4,206	55.61	17,281,081	3.17
10,001 - 1,000,000	2,805	37.09	159,331,871	29.24
1,000,001 AND ABOVE	24	0.32	367,978,173	67.53
TOTAL	7,563	100.00	544,911,240	100.00

Shareholdings of Directors

AS AT 31 May 2023

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

Notes:

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

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

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

Substantial Shareholders

AS AT 31 May 2023 (based on the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Clement Yang Ker-Cheng	24,673,285	4.53	33,075,198	6.07

Percentage of Shareholdings in Public's Hands

As at 31 May 2023, approximately 88.85% of the total number of issued shares in the capital of the Company (excluding any treasury shares and subsidiary holdings as well as the TDRs) are held in the hand of the public as defined in the Rules of Catalist. Accordingly, the Company has complied with Rule 723 of the Rules of Catalist.

TWENTY LARGEST SHAREHOLDERS

AS AT 31 MAY 2023

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	210,557,965	38.64
2	YANG CLEMENT K C	24,673,285	4.53
3	RAFFLES NOMINEES (PTE.) LIMITED	22,343,854	4.10
4	MAYBANK SECURITIES PTE. LTD.	22,152,577	4.07
5	SOUTH WORLD INVESTMENTS LIMITED	18,506,621	3.40
6	DBS NOMINEES (PRIVATE) LIMITED	11,497,585	2.11
7	IFAST FINANCIAL PTE. LTD.	10,970,500	2.01
8	PHILLIP SECURITIES PTE LTD	8,912,878	1.64
9	UOB KAY HIAN PRIVATE LIMITED	7,613,100	1.40
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,482,414	1.01
11	OCBC SECURITIES PRIVATE LIMITED	3,276,700	0.60
12	TIGER BROKERS (SINGAPORE) PTE. LTD.	3,217,600	0.59
13	TAN JIN SIANG	2,700,000	0.50
14	HSBC (SINGAPORE) NOMINEES PTE LTD	1,785,890	0.33
15	LIM & TAN SECURITIES PTE LTD	1,529,200	0.28
16	XU YONGSHENG	1,500,000	0.28
17	LIM HUI MEI OR EDWIN GOMEZ	1,500,000	0.28
18	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,448,600	0.27
19	LI JIANSHENG	1,405,200	0.26
20	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,324,300	0.24
	TOTAL	**362,398,269**	**66.54**

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

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

As at 31 May 2023, the total number of TDRs issued by the Company is 205,531,500, representing approximately 37.72% of the total number of shares in the capital of the Company.

Interested Person Transactions

No general mandate has been obtained for interested person transactions pursuant to Rule 920(1) of the Rules of Catalist. The aggregate value of interested person transactions carried out during FY2022 are as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Rules of Catalist) (S$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Rules of Catalist (excluding transactions less than $100,000) (S$'000)
Manhattan International Corp.	Mr Clement Yang, the Chairman and an Executive Director of the Company, is the chairman and sole director of the interested person	US$'000	N.A.
- Utility and fuel consumption		330	
- Rent and maintenance fees		149	
- Personnel costs		75	
- Others		372	

The amount at risk to the Company of US$926,000 represented approximately 0.006% of the audited consolidated net tangible assets of the Group for the financial year ended 31 December 2022.

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

Notice of Annual General Meeting

MEDTECS INTERNATIONAL CORPORATION LIMITED
(Incorporated in Bermuda)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Medtecs International Corporation Limited (the "**Company**") will be held at Orchid Ball Room, Level B1, Holiday Inn Singapore, Orchard City Centre, 11 Cavenagh Road, Singapore 229616 on Friday, 30 June 2023 at 3.00 p.m. to consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Auditors' Report thereon. **(Resolution 1)**

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

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

4. To approve the payment of Directors' fees of S$284,000 for the financial year ending 31 December 2023, to be paid quarterly in arrears. (2022: S$284,000) **(Resolution 4)**

5. To re-appoint Ernst & Young LLP as the Company's lead auditor and Messrs SyCipGorresVelayo & Co. as the Company's component auditor, and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

SHARE ISSUE MANDATE

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

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

    (ii) make or grant offers, agreements or options or otherwise issue convertible securities (collectively, "**Instruments**") that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed one hundred per cent. (100%) of the total number of issued shares excluding subsidiary holdings (as defined in the Catalist Rules) and treasury shares of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be offered other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed fifty per cent. (50%) of the total number of issued shares excluding subsidiary holdings (as defined in the Catalist Rules) and treasury shares of the Company (as calculated in accordance with sub-paragraph (b) below);

(b) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Catalist Rules) and treasury shares shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

    (i) new shares arising from the conversion or exercise of any convertible securities;

    (ii) new shares arising from exercise of share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

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

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

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) and the Bye-laws for the time being of the Company; and

(d) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law or by the Bye-Laws of the Company to be held, whichever is the earlier, except that the Directors of the Company shall be authorised to allot and issue shares pursuant to any Instrument made or granted by the Directors while this Resolution was in force notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time of issue of such shares." [See Explanatory Note (iii)] **(Resolution 6)**

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

8. That:

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

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

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

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

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

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

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

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

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. [See Explanatory Note (iv)] **(Resolution 7)**

In this Resolution:

"**Average Closing Price**" means:

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

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

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

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

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

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

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

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

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

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

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

By Order of the Board

Abdul Jabbar Bin Karam Din
Company Secretary

Singapore, 15 June 2023

Explanatory Notes:

(i) Mr William Yang Weiyuan, upon re-election as a Director of the Company, will remain as the Deputy Chairman and Executive Director of the Board and a member of the Nominating Committee of the Company. The profile of Mr William Yang Weiyuan can be found under the sections entitled “Board of Directors” and “Board Membership” in the report on Corporate Governance in the Annual Report for the financial year ended 31 December 2022 ("**Annual Report 2022**").

(ii) Mr Lim Tai Toon, upon re-election as a Director of the Company, will remain as an Independent Director, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nominating Committee of the Company. The profile of Mr Lim Tai Toon can be found under the sections entitled “Board of Directors” and “Board Membership”in the report on Corporate Governance in the Annual Report 2022. As Mr Lim Tai Toon has been a director of the Company for an aggregate period of more than nine years (whether before or after listing), he will continue to be considered independent for the purposes of Rule 406(3)(d)(iv) of the Catalist Rules until the conclusion of the Company’s next annual general meeting for the financial year ending on or after 31 December 2023.

(iii) Ordinary Resolution 6 proposed in item 7 above, if passed, is to authorise the Directors to allot and issue shares in the capital of the Company and/or Instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 6 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed one hundred per cent. (100%) of the total number of issued shares excluding subsidiary holdings (as defined in the Rules of Catalist) and treasury shares of the Company, with a sub-limit of fifty per cent. (50%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Catalist Rules) and treasury shares of the Company will be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Catalist Rules) and treasury shares of the Company at the time of the passing of Resolution 6, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or subdivision of shares. The adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of Resolution 6.

(iv) Ordinary Resolution 7 proposed in item 8 above, if passed, is to renew the Share Purchase Mandate to enable the Company to purchase or acquire its issued shares. Shareholders had previously approved the renewal of the Share Purchase Mandate at the last Annual General Meeting of the Company that was held on 29 April 2022. Please refer to the Appendix to this Notice of Annual General Meeting for more details.

Notes:

1. The Annual General Meeting (“**AGM**”) of the Company will be held, in a wholly physical format, at Orchid Ball Room, Level B1, Holiday Inn Singapore, Orchard City Centre, 11 Cavenagh Road, Singapore 229616, on Friday, 30 June 2023 at 3.00 p.m. There will be no option for shareholders to participate in the AGM virtually.

2. All documents (including this Notice of AGM, the Annual Report 2022, the Appendix to this Notice of AGM dated 15 June 2023, and proxy forms) or information relating to the AGM are published on the SGX website at the URL https://www.sgx.com/securities/company-announcements and the Company's website at the URL https://www.medtecs.com/investor-relations/agm-and-sgm/. **Printed copies of (a) the CDP Proxy Form (b) this Notice of AGM and (c) a Request Form for the printed copies of the Annual Report 2022 and/or the Appendix to this Notice of AGM in relation to the proposed renewal of the share purchase mandate, will be despatched to Depositors and shareholders.**

3. Save as provided in the Bye-Laws, a member entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.

4. A Depositor (who is not a natural person) whose name appears in the Depository Register and who wishes to attend and vote at the AGM, should complete the CDP Proxy Form and submit the duly completed CDP Proxy Form to the Company **by 3.00 p.m. on 28 June 2023**, being not less than forty-eight (48) hours before the time appointed for holding the AGM, in the following manners:

   (a) if by electronic communication, via email to medtecs@boardroomlimited.com; or

   (b) if sent personally or by post, be lodged at the office of the Singapore Share Transfer Agent of the Company, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632.

   A Depositor who is a natural person need not complete the CDP Proxy Form if he/she intends to attend in person.

5. If a shareholder wishes to appoint a proxy/proxies to attend the AGM and vote on his/her/its behalf, the shareholders’ Proxy Form must be completed and submitted to the Company by **3.00 p.m. on 28 June 2023**, being not less than forty-eight (48) hours before the time appointed for holding the AGM, in the following manners:

   (a) if by electronic communication, via email to medtecs@boardroomlimited.com; or

   (b) if submitted personally or by post, be lodged at the office of the Singapore Share Transfer Agent of the Company, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632.

6. In the case of Depositors whose names are not shown in the records of the Depository as at forty-eight (48) hours before the time appointed for holding the AGM as supplied by the Depository to the Company, the Company may reject such proxy form submitted to the Company.

Personal data privacy:

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

This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R&T Corporate Services Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**").

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

The contact persons for the Sponsor are Ms Evelyn Wee (Telephone Number: +65 6232 0724) and Mr. Howard Cheam Heng Haw (Telephone Number: +65 6232 0685), R&T Corporate Services Pte. Ltd., at 9 Straits View, Marina One West Tower, #06-07 Singapore 018937.

Financial Statements

Directors' Statement

FOR THE YEAR ENDED 31 DECEMBER 2022
(Amounts in United States dollars unless otherwise stated)

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Medtecs International Corporation Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2022.

1. Directors

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

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

Pursuant to Rule 720(4) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Rules of Catalist**"). And in accordance with Bye-Law 86 of the Company's Bye-Laws, William Yang Weiyuan and Lim Tai Toon retire by rotation and, being eligible, offer themselves for re-election.

2. Arrangements to enable directors to acquire shares and debentures

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

3. Directors' interests in shares or debentures

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

	Direct interest			Deemed interest		
Name of directors	At 1 January 2022	At 31 December 2022	At 21 January 2023	At 1 January 2022	At 31 December 2022	At 21 January 2023
Ordinary shares of the Company at par value of US$0.05 each						
Clement Yang Ker-Cheng	24,673,285	24,673,285	24,673,285	33,075,198	33,075,198	33,075,198
William Yang Weiyuan	–	–	–	1,500,000	3,000,000	3,000,000
Lim Tai Toon	–	–	–	20,000	20,000	20,000

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

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

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2023.

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

4. Other information required by the SGX-ST

Save as disclosed in the section entitled "Interested Person Transactions" in this annual report, no material contracts to which the Company or any subsidiary is a party and which involve the interests of the Chief Executive Officer, each director or controlling shareholder, subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

5. Directors' contractual benefits

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

6. Share options

The Company's Share Option Scheme (the "**Scheme**"), issued on 30 April 2012, has lapsed on 29 May 2022. The Company is currently assessing the benefits of implementing a new share option scheme to incentivise and retain talent within the organisation. The focus will be on examining the feasibility and structure of the proposed scheme, if any. As we make progress in this endeavor, we will provide further updates to keep all stakeholders informed.

The committee in charge of administering the Scheme, before it lapsed, consists of:
Nieh Chien-Chung (Chairman)
Carol Yang Xiao-Qing
Lim Tai Toon

As at the end of the financial year, no options to take up unissued shares of the Company or its subsidiaries were granted, and no shares were issued by virtue of the exercise of options or warrant to take up unissued shares of the Company or its subsidiaries.

7. Audit Committee

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

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

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. Fees (including fees for non-audit services) paid to external auditors may be found in Note 24 of the financial statements of the annual report. The AC has also conducted a review of interested person transactions.

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

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

8. Independent Auditor

The independent auditor, Ernst & Young LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors:

CLEMENT YANG KER-CHENG	**WILLIAM YANG WEIYUAN**
Director	Director

14 June 2023

Independent Auditor's Report

For the financial year ended 31 December 2022

To the Board of Directors of Medtecs International Corporation Limited

Opinion

We have audited the consolidated financial statements of Medtecs International Corporation Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the statements of financial position of the Group and the Company as at 31 December 2022, the statements of comprehensive income and the statements of changes in equity of the Group and the Company and the consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position, statement of comprehensive income and the statement of changes in equity of the Company are properly drawn up in accordance with the Singapore Financial Reporting Standards (International) ("**SFRS(I)**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the financial performances and changes in the equity of the Group and the Company, and consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed the matter is provided in that context.

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

Assessment of inventory valuation

The Group had $36,394,000 of inventories as of 31 December 2022, representing 20% of its total assets. The Group records its inventories at the lower of cost and net realisable value. Where necessary, allowances for inventory obsolescence are provided and write downs are made for damaged, obsolete and slow-moving inventories to adjust the carrying amount of the inventories to their net realisable values.

Management reviews the inventory ageing report to identify slow-moving and obsolete inventories and then estimates the amount of allowance based on the production plan and expected future market demand as a result of changes in current market conditions and the latest invoice prices. Significant judgement and estimation are involved in identifying the slow-moving and obsolete inventories and assessing the amounts of allowance or write down required. Given the significant judgement involved in management's assessment, the estimation of the allowance for inventory obsolescence is identified as a key audit matter.

We have performed the following audit procedures, amongst others, in response to the above-mentioned key audit matter:

- Evaluated the amount of allowance for inventory obsolescence established by reviewing the nature of the selected inventory and discussed with management their basis for the assessment on the adequacy of allowance for inventory obsolescence;
- Checked that the Group has provided for allowance for inventory obsolescence in accordance with the Group policy;
- Tested the integrity of the inventory reports, on a sampling basis, in order to conclude that the inventory reports can be relied upon for the assessment of allowance for inventory obsolescence;
- Observed and inquired management for any identified obsolete or slow-moving inventories during our stocktake observation; and
- Performed net realisable value testing on selected inventory items, considering sale of similar inventories subsequent to the financial year.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures on the allowance for obsolete and slow-moving inventories assessment are included in Note 2.15 and Note 13 to the financial statements. The key sources of estimation uncertainty in relation to allowance for obsolete and slow-moving inventories are disclosed in Note 3(b) to the financial statements.

Allowance of expected credit losses for trade receivables

The Group has $30,358,000 of trade receivables from third-party customers as of 31 December 2022, representing 17% of its total assets. The credit worthiness of customers may be impacted by specific and/or macro-economic conditions, resulting in overdue trade receivables or uncertainty in recoverability of contract assets. The Group applied the simplified approach and calculated expected credit losses ("ECL") based on lifetime expected losses on all trade receivables.

This involves significant judgement as the ECL must reflect information about past events, current conditions and forecasts of future conditions. Given the materiality of the trade receivables and significant judgement and estimations involved in the impairment assessment, we have identified this as key audit matter.

We have performed the following audit procedures, amongst others, in response to the above-mentioned key audit matter:

- Obtained an understanding of the Group's credit policies and credit assessment procedures and the controls relating to the monitoring of trade receivables;
- Evaluated management's assumptions used in establishing the ECL impairment model through analysis of receivables ageing, review of historical credit loss experiences and consideration of data and information used by management in determining the forward-looking adjustments based on current economic condition;
- Reviewed the collectability of material and long aged trade receivables by way of obtaining evidence of receipts subsequent to the balance sheet date from the customers. For long overdue debts without subsequent collection, we discussed with management on their assessment of the ECL for these trade receivables. Where applicable, we reviewed customers' payment history and correspondences between the Group and the customers on expected settlement; and
- Obtained trade receivables confirmations for selected samples. For non-replies, we performed alternative audit procedures by checking to supporting sales and delivery documents or checking subsequent cash settlements by vouching to receipts in the form of bank advices or equivalent and bank statements.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures on the ECL for trade receivables and credit risk management process are included in Note 2.13, Note 14 and Note 32(d) to the financial statements. The key sources of estimation uncertainty in relation to ECL for trade receivables are disclosed in Note 3(b) to the financial statements.

Impairment assessment on property, plant and equipment

As at 31 December 2022, the carrying amount of the Group's property, plant and equipment amounted to $45,846,000, representing 25% of its total assets. The carrying amount of these assets are reviewed annually by management to assess whether there are indicators of impairment and if there are such indicators, an estimate is made for the recoverable amount of the asset concerned.

For cash generating units ("CGUs") where there are indicators impairment, management has prepared value-in-use computations in assessing the recoverable amounts of the property, plant and equipment. This assessment required management to exercise significant judgement over the assumptions used in the preparation of the forecast. The key assumptions adopted are the annual revenue growth rate, terminal growth rate, forecasted gross margins and discount rate. The impact of COVID-19 pandemic has further elevated the level of estimation uncertainty in making such assumptions. Given the materiality of the property, plant and equipment, and significant judgement and estimation involved in assessing the recoverable amount of these assets, we have identified the impairment of property, plant and equipment as a key audit matter.

We have performed the following audit procedures, amongst others, in response to the above-mentioned key audit matter:

- Reviewed management's assessment of indicators of impairment of property, plant and equipment and the methodology used by management to estimate value-in-use when indicators are present;
- Assessed the reasonableness of key assumptions such as annual revenue growth rate and forecasted gross margins used in the forecast by comparing to historical trend and the latest budgets approved by management and other available information, after considering the status and condition of COVID-19;
- Reviewed management's assessment on the reasonableness of the useful lives of property, plant and equipment;
- Involved our internal valuation specialists to assist us in assessing the reasonableness of the discount rate and terminal growth rate used in the forecast; and
- Performed sensitivity analysis of the recoverable amounts to changes in the key assumptions taking into consideration the general economic outlook arising from the status and condition of COVID-19.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures are included in Note 2.11 and Note 6 to the financial statements. The key sources of estimation uncertainty in relation to impairment of non-financial assets are disclosed in Note 3(b) to the financial statements.

Impairment assessment on investments in subsidiaries

As at 31 December 2022, the Company has investments in subsidiaries with carrying values of $28,352,000, representing 33% of its total assets. The carrying amount of the investment in subsidiaries are reviewed annually by management to assess whether there are indicators of impairment and if there are such indicators, an estimate is made for the recoverable amount of the asset concerned.

For those subsidiaries where there are indicators of impairment, management has prepared cash flow forecasts to assess the recoverable amounts of the respective subsidiaries. This assessment requires management to make judgements over certain key inputs for the forecasts in relation to annual revenue growth rate, terminal growth rate, forecasted gross margins and discount rate. Given the materiality of the investments in subsidiaries and significant judgement and estimation involved in the impairment assessment, we have identified the impairment of investments in subsidiaries as a key audit matter.

We have performed the following audit procedures, amongst others, in response to the above-mentioned key audit matter:

- Reviewed management's assessment of indicators of impairment of the investments in subsidiaries and the methodology used by management to estimate value-in-use when indicators are present;
- Assessed the reasonableness of key assumptions such as annual revenue growth rate and forecasted gross margins used in the forecast by comparing to historical trend and the latest budget approved by management and other available information;
- Involved our internal valuation specialists to assist us in assessing the reasonableness of the discount rate and terminal growth rate used in the forecast; and
- Performed sensitivity analysis of the recoverable amount to changes in the key assumptions taking into consideration the general economic outlook.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures are included in Note 2.11 and Note 9 to the financial statements. The key sources of estimation uncertainty in relation to impairment of non-financial assets are disclosed in Note 3(b) to the financial statements.

Other matters

The financial statements of the Company and the Group for the year ended 31 December 2021 were audited by Messrs SyCip Gorres Velayo & Co., whose report dated 28 March 2022 expressed an unmodified opinion on those financial statements.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the provisions of the Companies Act 1967 (the "Act") to be kept by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yong Kok Keong.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

14 June 2023

Statements of Financial Position

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

AS AT 31 DECEMBER 2022
(Amounts in United States dollars)

		Group		Company	
		2022	2021	2022	2021
	Note	$'000	$'000	$'000	$'000
Assets					
Non-current assets					
Property, plant and equipment	6	45,846	32,110	194	184
Investment property	7	2,617	2,728	–	–
Assets held for leasing	8	4,116	4,452	–	–
Right-of-use assets	29	9,903	8,386	4,701	380
Investment in subsidiaries	9	–	–	28,352	28,353
Goodwill	10	709	709	–	–
Deferred tax assets	25	2,106	33	–	12
Other non-current assets	12	8,617	3,787	112	113
		73,914	52,205	33,359	29,042
Current assets					
Inventories	13	36,394	49,660	3,304	2,390
Trade receivables	14	30,358	42,347	25,870	25,785
Other current assets	15	6,102	13,072	2,277	7,672
Due from subsidiaries	11	–	–	16,925	20,518
Fixed deposits	16	17,159	9,275	–	–
Cash and cash equivalents	16	18,122	49,015	3,366	15,711
		108,135	163,369	51,742	72,076
Total assets		182,049	215,574	85,101	101,118

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

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

STATEMENTS OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2022
(Amounts in United States dollars)

		Group		Company	
		2022	2021	2022	2021
	Note	$'000	$'000	$'000	$'000
Equity and liabilities					
Current liabilities					
Trade payables and other current liabilities	17	6,447	7,765	776	1,482
Lease liabilities	29	575	988	129	139
Loans and borrowings	18	15,643	9,306	–	–
Income tax payable		2,415	2,567	–	–
		25,080	20,626	905	1,621
Net current assets		83,055	142,743	50,837	70,455
Non-current liabilities					
Lease liabilities	29	3,335	5,791	187	337
Deferred tax liabilities	25	391	147	13	–
Pension benefit obligation	21	811	1,075	167	240
Other non-current liabilities		117	28	–	–
		4,654	7,041	367	577
Total liabilities		29,734	27,667	1,272	2,198
Net assets		152,315	187,907	83,829	98,920

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

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

STATEMENTS OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2022
(Amounts in United States dollars)

		Group		Company	
		2022	2021	2022	2021
	Note	$'000	$'000	$'000	$'000
Equity attributable to equity holders of the Company					
Share capital	4	27,471	27,471	27,471	27,471
Less: Treasury shares	4	(2,361)	(2,112)	(2,361)	(2,112)
Share premium		4,721	4,721	4,721	4,721
Revenue reserves	5	120,424	152,291	53,332	68,230
Remeasurement gains		250	52	105	49
Foreign currency translation reserves	5	(735)	2,397	–	–
Other reserves	5	19	394	561	561
		149,789	185,214	83,829	98,920
Non-controlling interests	9	2,526	2,693	–	–
Total equity		152,315	187,907	83,829	98,920
Total equity and liabilities		182,049	215,574	85,101	101,118

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

Statements of Comprehensive Income

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in United States dollars)

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Revenue	19	56,243	144,155	10,816	69,000
Costs of sales and services	24	(59,580)	(102,121)	(7,069)	(41,745)
Gross (loss)/profit		(3,337)	42,034	3,747	27,255
Other items of income					
Other income - net	20	2,461	1,764	121	1,233
Financial income	22	905	33	815	116
Other items of expense					
Distribution and selling expenses	24	(12,009)	(12,177)	(7,530)	(5,193)
Administrative expenses	24	(17,723)	(13,845)	(8,507)	(6,635)
Financial expenses	23	(951)	(891)	(248)	(46)
(Loss)/profit before tax	24	(30,654)	16,918	(11,602)	16,730
Income tax credit/(expense)	25	1,391	(408)	(25)	–
Net (loss)/profit for the year		(29,263)	16,510	(11,627)	16,730
Attributable to:					
Equity holders of the Company		(28,596)	17,342	(11,627)	16,730
Non-controlling interests		(667)	(832)	–	–
Net (loss)/profit for the year		(29,263)	16,510	(11,627)	16,730
(Loss)/earnings per share attributable to the equity holders of the Company (cents per share)	26				
- basic		(5.244)	3.171		
- fully diluted		(5.244)	3.171		

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

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

STATEMENTS OF COMPREHENSIVE INCOME (continued)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in United States dollars)

	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Net (loss)/profit for the year	(29,263)	16,510	(11,627)	16,730
Other comprehensive income:				
Items that will be reclassified to profit or loss:				
Translation adjustments	(3,132)	(835)	–	–
Items that will not be reclassified to profit or loss:				
Remeasurement gains on retirement benefit obligation, net of tax	198	194	56	38
Unrealized loss on financial assets at fair value through other comprehensive income (“FAFVOCI”)	(375)	–	–	–
Total comprehensive (loss)/income for the year, net of tax	(32,572)	15,869	(11,571)	16,768
Attributable to:				
Equity holders of the Company	(31,905)	16,701	(11,571)	16,768
Non-controlling interests	(667)	(832)	–	–
Total comprehensive (loss)/income for the year, net of tax	(32,572)	15,869	(11,571)	16,768

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

Statements of Changes in Equity

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in United States dollars)

2022 Group	Share capital (Note 4) $'000	Share premium $'000	Revenue reserves (Note 5) $'000	Remeasurement gains on retirement benefit obligations (Note 21) $'000	Foreign currency translation reserves (Note 5) $'000	Other reserves (Note 5) $'000	Treasury shares (Note 4) $'000	Non-controlling interests (Note 9) $'000	Total equity $'000
Opening balance at 1 January 2022	27,471	4,721	152,291	52	2,397	394	(2,112)	2,693	187,907
Net loss for the year	–	–	(28,596)	–	–	–	–	(667)	(29,263)
<u>Other comprehensive income</u>									
Foreign currency translation reserves	–	–	–	–	(3,132)	–	–	–	(3,132)
Unrealized losses on FAFVOCI	–	–	–	–	–	(375)	–	–	(375)
Remeasurement gains on retirement benefit obligation, net of tax	–	–	–	198	–	–	–	–	198
Other comprehensive income/(loss) for the year	–	–	–	198	(3,132)	(375)	–	–	(3,309)
Total comprehensive (loss)/income for the year, net of tax	–	–	(28,596)	198	(3,132)	(375)	–	(667)	(32,572)
Purchase of treasury shares (Note 4)	–	–	–	–	–	–	(249)	–	(249)
Minority investment	–	–	–	–	–	–	–	500	500
Cash dividends (Note 27)	–	–	(3,271)	–	–	–	–	–	(3,271)
Closing balance at 31 December 2022	27,471	4,721	120,424	250	(735)	19	(2,361)	2,526	152,315

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

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

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in United States dollars)

2021 Group	Share capital (Note 4) $'000	Share premium $'000	Revenue reserves (Note 5) $'000	Remeasurement gains (losses) on retirement benefit obligations (Note 21) $'000	Foreign currency translation reserves (Note 5) $'000	Other reserves (Note 5) $'000	Treasury shares (Note 4) $'000	Non-controlling interests (Note 9) $'000	Total equity $'000
Opening balance at 1 January 2021	27,471	4,721	157,789	(142)	3,232	394	–	1,025	194,490
Net profit for the year	–	–	17,342	–	–	–	–	(832)	16,510
<u>Other comprehensive income</u>									
Foreign currency translation reserves	–	–	–	–	(835)	–	–	–	(835)
Remeasurement gain on retirement benefit obligation, net of tax	–	–	–	194	–	–	–	–	194
Other comprehensive income/(loss) for the year	–	–	–	194	(835)	–	–	–	(641)
Total comprehensive income/(loss) for the year, net of tax	–	–	17,342	194	(835)	–	–	(832)	15,869
Purchase of treasury shares (Note 4)	–	–	–	–	–	–	(2,112)	–	(2,112)
Minority investment	–	–	–	–	–	–	–	2,500	2,500
Cash dividends (Note 27)	–	–	(22,840)	–	–	–	–	–	(22,840)
Closing balance at 31 December 2021	27,471	4,721	152,291	52	2,397	394	(2,112)	2,693	187,907

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

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

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in United States dollars)

Company	Share capital (Note 4) $'000	Share premium $'000	Revenues reserves (Note 5) $'000	Remeasurement gains on retirement benefit obligations (Note 21) $'000	Other reserves (Note 5) $'000	Total Revenue reserves $'000	Treasury shares (Note 4) $'000	Total Equity $'000
Opening Balance at 1 January 2021	27,471	4,721	74,340	11	561	74,912	–	107,104
Net income for the year	–	–	16,730	–		16,730	–	16,730
Other comprehensive income for the year	–	–	–	38	–	38	–	38
Total comprehensive income for the year, net of tax	–	–	16,730	38		16,768	–	16,768
Purchase of treasury shares (Note 4)	–	–	–	–	–	–	(2,112)	(2,112)
Cash dividends (Note 27)	–	–	(22,840)	–	–	(22,840)	–	(22,840)
Balance at 31 December 2021 and 1 January 2022	27,471	4,721	68,230	49	561	68,840	(2,112)	98,920
Net loss for the year	–	–	(11,627)	–	–	(11,627)	–	(11,627)
Other comprehensive income for the year	–	–	–	56	–	56	–	56
Total comprehensive (loss)/income for the year, net of tax	–	–	(11,627)	56	–	(11,571)	–	(11,571)
Purchase of treasury shares (Note 4)	–	–	–	–	–	–	(249)	(249)
Cash dividends (Note 27)	–	–	(3,271)	–	–	(3,271)	–	(3,271)
Closing balance at 31 December 2022	27,471	4,721	53,332	105	561	53,998	(2,361)	83,829

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

Consolidated Cash Flow Statement

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in United States dollars)

	Note	2022 $'000	2021 $'000
Operating activities			
(Loss)/profit before tax		(30,654)	16,918
Adjustments for:			
Depreciation:			
Property, plant and equipment	6	3,177	3,567
Assets held for leasing	8 and 24	1,988	2,136
Right-of-use assets	29	1,128	819
Investment property	7	111	111
Write-off of provision for:			
Inventory losses	13	(158)	(1,841)
Expected credit losses on receivables	14	(23)	–
Provision for:			
Inventory losses	13	11,748	3,000
Expected credit losses on receivables and other current assets	24	3,795	19
Interest expense on loans and lease liabilities	23	819	853
Unrealized currency translation (gains)/ losses		(261)	773
Net changes in pension benefits obligation		(66)	48
Other finance costs	23	132	38
Interest income	22	(642)	(33)
Dividend income from quoted equity investments		(263)	–
Gain on disposal of property, plant and equipment	20	(165)	(58)
Operating cash flows before changes in working capital		(9,334)	26,350
(Increase)/decrease in:			
Fixed deposits		(7,884)	(4,097)
Inventories		886	2,481
Trade receivables		7,895	6,506
Other current assets		6,778	2,644
Decrease in:			
Trade payables and other current liabilities		(1,691)	(3,083)
Deferred lease income		(5)	(9)
Cash flows from operations		(3,355)	30,792
Income taxes paid		(590)	(650)
Other finance cost paid		(132)	(38)
Interest received from loans and receivables		24	–
Net cash flows (used in)/generated from operating activities		(4,053)	30,104

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

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

CONSOLIDATED CASH FLOW STATEMENT (continued)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in United States dollars)

	Note	2022 $'000	2021 $'000
Investing activities			
Proceeds from disposal of:			
Property, plant and equipment	6	180	72
Assets held for leasing		22	50
(Increase)/decrease in other non-current assets		(5,205)	830
Purchases of:			
Property, plant and equipment	6	(18,105)	(14,094)
Assets held for leasing	8	(1,674)	(2,280)
Interest received from fixed deposit and investment in unquoted bond	22	618	33
Dividend received from quoted equity investments	22	263	–
Net cash flows used in investing activities		(23,901)	(15,389)
Financing activities			
Repayment of term loans		–	(1,478)
Interest paid on loans and borrowings	23	(423)	(408)
Net proceeds from/(payment of) loans and borrowings		6,337	(22,297)
Cash dividends paid		(3,271)	(22,840)
Purchase of treasury shares	4	(249)	(2,112)
Minority investment		500	2,500
Principal payments of lease liabilities	29	(5,459)	(394)
Interest payments of lease liabilities	29	(396)	(455)
Net cash flows used in financing activities		(2,961)	(47,484)
Net decrease in cash and cash equivalents		(30,915)	(32,769)
Cash and cash equivalents at 1 January	16	49,015	82,161
Effects of currency translation on cash and cash equivalents		22	(377)
Cash and cash equivalents at 31 December	16	18,122	49,015

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

Notes to the Financial Statements

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

(Amounts in United States dollars unless otherwise stated)

1. CORPORATE INFORMATION

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

The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. In 2022, the Company has changed its principal place of business to 22/F The World Center Building, #330 Sen. Gil Puyat Avenue Bel-air, Makati City, Philippines.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") and the statement of financial position, statements of comprehensive income and statements of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)s).

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

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

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

SFRS(I) effective for annual period beginning on or after 1 January 2022

The following standards and interpretations are effective for the annual period beginning on or after 1 January 2022:

- Amendments to SFRS(I) 3 *Business Combinations*: Reference to the Conceptual Framework
- Amendments to SFRS(I) 1-16 *Property, Plant and* Equipment: Proceeds before Intended Use
- Amendments to SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*: Onerous Contracts-Cost of Fulfilling a Contract
- Annual Improvements to SFRS(I)s 2018-2020

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 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) 1-1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to SFRS(I) 16 *Leases*: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to SFRS(I) 1-1 Non-current Liabilities with Covenants	1 January 2024
Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

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

2.4 Subsidiaries and basis of consolidation

a) Subsidiaries

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

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

b) Basis of consolidation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Subsidiaries and basis of consolidation (continued)

b) Basis of consolidation (continued)

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

c) Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Subsidiaries and basis of consolidation (continued)

c) Business combinations and goodwill (continued)

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill.

The accounting policy for goodwill is set out in Note 2.10. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

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

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

2.5 Transactions with non-controlling interest

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

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

2.6 Functional and foreign currency

a) Functional and presentation currency

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Functional and foreign currency (continued)

a) Functional and presentation currency (continued)

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

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

b) Foreign currency translations and balances

The Group's consolidated financial statements are presented in USD, which is also the parent company's functional currency and recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.7 Related parties

A related party is defined as follows:

(a) A person or close member of that person's family is related to the Group and Company if that person:
- i. Has control or joint control over the Company;
- ii. Has significant influence over the Company; or
- iii. Is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Related parties (continued)

(c) An entity is related to the Group and the Company if any of the following condition applies:

i. The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii. Both entities are joint venture of a third entity and the other entity is an associate of the third entity.
viii. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
ix. 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.
x. The entity is controlled or jointly controlled by a person identified in (a).
xi. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.8 Property, plant and equipment

a) Recognition and measurement

All items of property, plant and equipment, including construction in progress, are initially recorded at cost.

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

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

b) Depreciation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment (continued)

b) Depreciation (continued)

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

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

c) Subsequent expenditure

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

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

d) Disposal

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

2.9 Investment properties

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investment properties (continued)

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

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.10 Intangible assets

Goodwill

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

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of non-financial assets

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

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

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

2.12 Financial instruments

a) Financial assets

i) Initial recognition and measurement

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

a) Financial assets (continued)

i) Initial recognition and measurement (continued)

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

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

ii) Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). The Group only has debt instruments at amortised cost.

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

This accounting policy applies primarily to the Group's and Company's investment in unquoted bond, cash and cash equivalents, fixed deposits, trade and other receivables, advances to employees, and refundable deposits. The accounting policy also applies to the Company's due from subsidiaries.

Investments in equity instruments

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

iii) Derecognition of financial assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

b) Financial liabilities

i) Initial recognition and measurement

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

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

ii) Subsequent measurement

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

iii) Derecognition

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

2.13 Impairment of financial assets

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

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

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

For financial assets at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 1 month past due.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment of financial assets (continued)

The Group considers a financial asset in default when contractual payments are 4 months past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.14 Cash and cash equivalents and fixed deposits

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

Fixed deposits consist of money market placements with maturity dates of more than 90 days and up to one year and earn at the respective short-term investment rates. On the other hand, other fixed deposits also refer to loan arrangements where specific amount of fund is placed on deposit under the name of the account holder. Fixed deposits cannot be withdrawn for a specified period of time and usually earn a fixed interest according to the terms and conditions that govern the loan which is usually current in nature.

2.15 Inventories

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

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

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

2.16 Provisions

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Borrowing costs

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

2.18 Borrowings

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

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

2.19 Employee benefits

a) Defined benefits pension plans

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

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

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

b) Defined contribution plans

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

c) Employee leave entitlement

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

d) Termination benefits

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

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

2.20 Leases

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

(a) As lessee

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

Right-of-use assets

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.11.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Leases (continued)

(a) As lessee (continued)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

(b) As lessor

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

Deposits payables

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Assets held for leasing

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

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

2.22 Revenue recognition

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

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

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

a) Sale of goods

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

b) Rendering of services

Hospital services and management fees are recognised as earned when the service is rendered.

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

c) Rental income

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

d) Interest income

Interest income is recognised using the effective interest rate method.

2.23 Taxes

a) Current income tax

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

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

b) Deferred tax

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Taxes (continued)

b) Deferred tax (continued)

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Taxes (continued)

c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

2.24 Share capital, share premium and share issue expenses

Share capital is stated at par value of the share. Proceeds received in excess of par value, if any, is recognized as share premium in equity.

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

2.25 Treasury shares

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

2.26 Segment reporting

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

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

2.27 Dividends

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
ii. the amount of obligation cannot be measured with sufficient reliability.

2.29 Events after the reporting period

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

2.30 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.30 Fair value measurement (continued)

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

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

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

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

2.31 Earnings per share

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Management has made the following judgement in the process of applying the Group's accounting policies that have significant effects on the amounts recognized in the financial statements.

a) Judgments made in applying accounting policies

Determination of lease term of contracts with extension options

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

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

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

As at 31 December 2022, potential future (undiscounted) cash outflows of approximately $9,000,000 (2021: $9,800,000), which will mature within 26 to 51 years, have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

b) Key sources of estimation uncertainty

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

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

i) Impairment of investments in subsidiaries, goodwill, property, plant and equipment, investment property and assets held for leasing

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

b) Key sources of estimation uncertainty (continued)

i) Impairment of investments in subsidiaries, goodwill, property, plant and equipment, investment property and assets held for leasing

The Group determines whether goodwill is impaired at least on an annual basis. For investments in subsidiaries, property, plant and equipment, investment property and assets held for leasing, the Group and Company assess, at each reporting date, whether there is an indication that the asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As at 31 December 2022, there is no impairment indicator that the investment property and assets leasing held by the Group may be impaired.

In estimating the value in use requires the Group and Company to make estimates of the expected future cash flows from the cash-generating unit incorporating the forecasted revenue growth rate and terminal growth rate and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. The breakdown of carrying amounts of the Group and Company's assets as at 31 December are presented as follow:

	2022 $'000	2021 $'000
Group		
Goodwill	709	709
Property, plant and equipment	45,846	32,110
Company		
Property, plant and equipment	194	184
Investments in subsidiaries	28,352	28,353

An impairment of $1,000 was made against investments in subsidiaries in 2022. No impairment was charge in goodwill, property, plant and equipment, investment property and assets held for leasing. Further details of the impairment of investments in subsidiaries, goodwill, property, plant and equipment, investment property and assets held for leasing are discussed in Notes 6 to 10.

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

b) Key sources of estimation uncertainty (continued)

ii) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

The carrying amount of the Group's income tax payable as at 31 December 2022 was $2,415,000 (2021: $2,567,000). The carrying amount of the Company's income tax payable as at 31 December 2022 was nil (2021: nil).

iii) Deferred taxes

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

The Group has $1,400,000 (2021: $1,900,000) of tax losses carried forward. These losses relate to Medtecs Materials Technology Corporation (MMTC), its subsidiary located in Philippines that have history of losses, and may not be used to offset taxable income elsewhere in the subsidiaries. MMTC neither has any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

The carrying amount of the Group's recognized deferred tax assets and deferred tax liabilities as at 31 December 2022 were $2,106,000 (2021: $33,000) and $391,000 (2021: $147,000), respectively. The carrying amount of the Company's recognized deferred tax assets and deferred tax liabilities as at 31 December 2022 were nil (2021: $12,000) and $13,000 (2021: nil), respectively. More details are given in Note 25.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

b) Key sources of estimation uncertainty (continued)

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

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

The carrying amount of trade receivables of the Group as at 31 December 2022 are $30,358,000 (2021: $42,347,000). The Group recognised provision for ECL amounting to $3,591,000 in 2022 (2021: $19,000). The carrying amount of the Company's trade receivables as at 31 December 2022 were $25,870,000 (2021: $25,785,000). The Company recognized provision for ECL amounting to $2,738,000 (2021: nil).

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

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

The carrying amount of the Group's property, plant and equipment, investment property and assets held for leasing as at 31 December 2022 were $45,846,000 (2021: $32,110,000), $2,617,000 (2021: $2,728,000) and $4,116,000 (2021: $4,452,000), respectively. The carrying amount of the Company's property, plant and equipment as at 31 December 2022 was $194,000 (2021: $184,000). More details are given in Notes 6, 7 and 8.

vi) Allowance for inventory obsolescence

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

The Group recognises provision for inventory losses when the net realisable values of inventory items become lower than cost due to obsolescence or other causes. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods, when identified, are charged to costs and are written down to its net realisable value. The Group reviews on a monthly basis the condition of its inventories. The assessment of the condition of the inventory items either increases or decreases the expenses or total inventory costs.

The carrying amount of the Group's inventories as at 31 December 2022 were $36,394,000 (2021: $49,660,000). The information about the allowance for inventory obsolescence is disclosed in Note 13.

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

b) Key sources of estimation uncertainty (continued)

vii) Estimating the incremental borrowing rate of the leases

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

The Group's lease liabilities amounted to $3,910,000 as at 31 December 2022 (2021: $6,779,000) (Note 29).

4. SHARE CAPITAL AND TREASURY SHARES

	Group and Company	
	2022	2021
	$'000	$'000
Authorised		
- 1,000,000,000 ordinary shares of $0.05 each	50,000	50,000
Issued and paid up		
As at 1 January and 31 December		
- 549,411,240 ordinary shares of $0.05 each	27,471	27,471

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

Treasury Shares
Treasury shares are ordinary shares of the Company that are purchased and held by the Company and are presented as a component within shareholders' equity.

	2022		2021	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	3,000	2,112	–	–
Acquisition of treasury shares				
- 1,500,000 shares at $0.166 each	1,500	249		
- 3,000,000 shares at $0.704 each			3,000	2,112
At 31 December	4,500	2,361	3,000	2,112

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

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

5. REVENUE AND OTHER RESERVES

a) Revenue reserves

The revenue reserves include accumulated profits attributable to the Group's equity holders and reduced by dividends.

	Group	
	2022	2021
	$'000	$'000
Revenue reserves are retained by:		
Company	53,332	68,230
Subsidiaries	67,092	84,061
	120,424	152,291

b) Foreign currency translation reserves

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

	Group	
	2022	2021
	$'000	$'000
At 1 January	2,397	3,232
Net effect of exchange differences arising from translation of financial statements of foreign operations	(3,132)	(835)
At 31 December	(735)	2,397

c) Other reserves

In 2014, the Company shares were issued in consideration of the acquisition of the non-controlling interest of Medtecs (Taiwan) Corporation (MTC). The excess of the consideration over the fair value of the net assets acquired was recorded in "Other reserves" under the equity section of the statements of financial position.

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

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

6. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and improvements $'000	Machinery, equipment and others $'000	Furniture, fixtures and equipment $'000	Leasehold improvements $'000	Transportation equipment $'000	Construction in progress $'000	Total $'000
Cost:							
As at 1 January 2021	24,304	38,267	3,100	4,418	1,337	–	71,426
Additions	221	2,700	427	236	277	10,233	14,094
Disposals	–	(513)	(5)	–	(36)	–	(554)
Reclassification	502	(20)	(500)	18	–	–	–
Exchange differences	212	46	(9)	18	20	–	287
As at 31 December 2021 and 1 January 2022	25,239	40,480	3,013	4,690	1,598	10,233	85,253
Additions	132	6,549	187	91	332	10,814	18,105
Disposals	(51)	(3,819)	(44)	–	(29)	–	(3,943)
Reclassification	13,207	5,295	30	134	57	(18,723)	–
Exchange differences	(977)	(511)	(661)	(44)	(34)	–	(2,227)
As at 31 December 2022	37,550	47,994	2,525	4,871	1,924	2,324	97,188
Accumulated depreciation:							
As at 1 January 2021	12,791	30,796	1,669	4,010	661	–	49,927
Depreciation charge for the year	1,279	1,770	284	38	196	–	3,567
Disposals	(25)	(478)	(5)	–	(32)	–	(540)
Exchange differences	(41)	(39)	120	145	4	–	189
As at 31 December 2021 and 1 January 2022	14,004	32,049	2,068	4,193	829	–	53,143
Depreciation charge for the year	836	1,593	401	148	199	–	3,177
Disposals	(51)	(3,819)	(44)	–	(14)	–	(3,928)
Reclassifications	299	(299)	–	–	–	–	–
Exchange differences	(338)	(300)	(365)	(25)	(22)	–	(1,050)
As at 31 December 2022	14,750	29,224	2,060	4,316	992	–	51,342
Net carrying amount:							
As at 31 December 2021	11,235	8,431	945	497	769	10,233	32,110
As at 31 December 2022	22,800	18,770	465	555	932	2,324	45,846

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

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment assessment

The Company has performed impairment assessment on its property, plant and equipment as at 31 December 2022 as there are impairment indicators that these assets are impaired. The recoverable amounts of the property, plant and equipment are determined based on the value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The following assumptions were based on based on management's reasonable estimates of the Group's operations:

	2022
Revenue growth rates	3.0% - 8.0%
Terminal growth rates	1.0% - 3.0%
Pre-tax discount rates	9.6% - 18.2%

** There were no impairment indicators identified in prior years. Hence, no comparative figures were presented in the table above.*

Key assumptions used for value-in-use calculation

The following describes management's key assumptions on the cash flow projections to undertake impairment testing of property, plant and equipment:

a) *Budgeted gross margins*

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

b) *Revenue growth rates*

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

c) *Terminal growth rates*

The forecasted terminal growth rates are based on published industry research and do not exceed the long term average growth rate for the industries relevant to the assets.

d) *Pre-tax discount rates*

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

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

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment assessment (continued)

Sensitivity to changes in assumptions

If the revenue growth rates and terminal growth rates have been decreased to the following rates or pre-tax discount rates have been increased to the following rates, the estimated recoverable amount would be almost equal to the carrying amount.

	2022
Revenue growth rates	0% - 7.0%
Terminal growth rates	0% - 0.7%
Pre-tax discount rates	10.4% - 19.0%

Company	Buildings and improvements $'000	Machinery, furniture, fixtures and equipment $'000	Leasehold improvements $'000	Transportation equipment $'000	Construction in progress $'000	Total $'000
Cost:						
As at 1 January 2021	2,457	3,484	10	50	–	6,001
Additions	1	54	–	–	100	155
As at 31 December 2021 and 1 January 2022	2,458	3,538	10	50	100	6,156
Additions	–	28	14	25	34	101
Reclassifications	–	–	134	–	(134)	–
As at 31 December 2022	2,458	3,566	158	75	–	6,257
Accumulated depreciation:						
As at 1 January 2021	2,450	3,444	7	50	–	5,951
Depreciation charge for the year	4	15	2	–	–	21
As at 31 December 2021 and 1 January 2022	2,454	3,459	9	50	–	5,972
Depreciation charge for the year	4	40	43	4	–	91
As at 31 December 2022	2,458	3,499	52	54	–	6,063
Net carrying amount:						
As at 31 December 2021	4	79	1	–	100	184
As at 31 December 2022	–	67	106	21	–	194

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

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets pledged as security

As of 31 December 2022, there were property, plant and equipment with carrying amount of $4,900,000 (2021: $5,500,000) that were mortgaged to secure various loans as disclosed in Note 18.

Disposals of property, plant and equipment

In 2022, the Group sold property, plant and equipment with a total net carrying amount of $15,000 for a cash consideration of $180,000. The gain on disposals of $165,000 were recognized as part of the other income in the statement of profit or loss (Note 20).

7. INVESTMENT PROPERTY

	Group 2022 $'000	Group 2021 $'000
Cost:		
As at 1 January and 31 December	5,465	5,465
Accumulated depreciation:		
As at 1 January	2,737	2,626
Depreciation charge for the year	111	111
As at 31 December	2,848	2,737
Net carrying amount as at 31 December	2,617	2,728
Profit and loss account:		
Rental income (Note 29)	613	613
Depreciation charge of:		
Investment property (Note 24)	(111)	(111)
Right-of-use asset	(12)	(12)
Repairs and maintenance	(9)	(9)
Taxes and licenses	(11)	(13)
Insurance	(3)	(4)
	467	464

The Group's investment property includes building and building improvements located in No. 7 corners of Argonaut Highway, Efficiency Avenue and Duty street, within Subic Bay Gateway Park, Subic Bay Freeport Zone, Olongapo City, Zambales, Philippines that are held to earn rentals. The Group have no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

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

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

7. INVESTMENT PROPERTY (continued)

Valuation of investment property

Investment property is stated at cost less accumulated depreciation and any accumulated impairment losses as at 31 December 2022 and 2021. A fair valuation of the investment properties was performed by an independent appraiser with recognized and relevant professional qualification. Details of valuation techniques and inputs used are disclosed in Note 33 to the financial statements.

Aggregate fair value of the investment property was determined using the income approach. Income approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. During the current financial year, the discount rate of 12.3% (2021: 9.9%) used under the income approach for valuing anticipated future benefits into current property value is computed under the “Built-Up” method. As of 31 December 2022, fair market value of the investment property, which is based on its highest and best use, amounted to $3,774,000 (2021: $4,285,000). The fair value is categorized under Level 3 (valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable) fair value hierarchy.

8. ASSETS HELD FOR LEASING

	Group	
	2022	2021
	$’000	$’000
Cost:		
As at 1 January	9,652	7,828
Additions	1,674	2,280
Written off	–	(17)
Disposals	(793)	(439)
As at 31 December	10,533	9,652
Accumulated depreciation:		
As at 1 January	5,200	3,470
Amortisation charge for the year	1,988	2,136
Written off	–	(17)
Disposals	(771)	(389)
As at 31 December	6,417	5,200
Net carrying amount as at 31 December	4,116	4,452

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

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

9. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries comprise:

	Company	
	2022	2021
	$’000	$’000
Unquoted equity shares, at cost	28,369	28,369
Less: Impairment loss	(17)	(16)
	28,352	28,353

(a) The Group has the following subsidiaries as at 31 December:

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Company		Cost of investment by the Company	
			2022	2021	2022	2021
			%	%	$’000	$’000
Held by the Company						
Universal Weavers Corporation (UWC) (a)	Manufacturing and trading of woven and knitted fabrics	Philippines	100.0	100.0	5,863 (j)	5,863 (j)
Contex Corporation (CC) (a)	Trading of hospital textiles and garments, pillow cases, bed sheets, gowns and apparel, and subleasing activities	Philippines	98.8 (g)	98.8 (g)	1,854	1,854
Medtecs (Taiwan) Corporation (MTC) (b)	Manufacturing, leasing, marketing and distribution of medical consumables and provision of hospital laundry services	Republic of China	100.0 (h)	100.0 (h)	7,569 (j)	7,569 (j)
Medtex Corporation (a)	Manufacturing and sale of elastic bandages, garters and other garment products	Philippines	100.0	100.0	474 (j)	474 (j)
Medtecs (Cambodia) Corporation Limited (MCCL) (c)	Manufacturing of medical consumables and provision of procurement services	Cambodia	100.0	100.0	2,038 (j)	2,038 (j)
Medtecs (Asia Pacific) Pte. Ltd. (MAP) (d)	Sale of woven and knitted fabrics and other made-up articles of textile products	Singapore	100.0	100.0	1,241 (k)	1,241 (k)
Medtecs Materials Technology Corporation (MMTC) (a)	Manufacturing, leasing and trading of woven and knitted fabrics, other made-up articles of textile, medical and healthcare related products, and provision of hospital laundry services	Philippines	100.0	100.0	2,021	2,021
Medtecs MSEZ Corp., Ltd. (MMSEZ) (c)	Manufacturing of woven and non-woven fabric	Cambodia	100.0 (l)	100.0 (l)	3,370	3,370
Medtecs USA Corporation (f)	Manufacturing and supplying of personal protective equipment and healthcare products	United States of America (USA)	100.0 (m)	100.0 (m)	100	100

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

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

9. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Company		Cost of investment by the Company	
			2022 %	2021 %	2022 $'000	2021 $'000
Held by the Company (continued)						
Medtecs (Far East) Limited [f]	Sale of woven and knitted fabrics and other made-up articles of textile products	Hong Kong Special Administrative Region	100.0	100.0	–[r]	1
Cooper Development Limited [e]	Investment holding	Malaysia	100.0	100.0	3,822[j]	3,822[j]
Held through subsidiaries						
Hangzhou Jincheng Medical Supplies Manufacture Co., Ltd. (Jinchen) [e]	Manufacturing and trading of woven and non-woven medical consumables	People's Republic of China	100.0	100.0	–	–
Zibo Lianheng Textiles Co., Ltd. (Lianheng) [f]	Manufacturing and trading of woven fabrics	People's Republic of China	51.1[i]	51.1[i]	–	–
Zibo Liancheng Textiles & Garments Co. Ltd. [f]	Manufacturing and trading of woven fabrics	People's Republic of China	100.0	100.0	–	–
Resilient Medical Pte. Ltd. (RMPL) [d]	Manufacturing and supplying of personal protective equipment and healthcare products	Singapore	66.7[n]	70.6[n]	–	–
RMKH Glove Pte. Ltd. (RMKH Glove) [d]	Manufacturing and supplying of personal protective equipment and healthcare products	Singapore	66.7[o]	70.6[o]	–	–
RMKH Glove (Cambodia) Co., Ltd. (RMKH Cambodia) [c]	Manufacturing and sale of gloves	Cambodia	66.7[p]	70.6[p]	–	–
Hangzhou Jincheng Medical Technology Co., Ltd. (Jinchen Technology) [e]	Sale of hygiene products, medical equipment and disposable medical supplies	People's Republic of China	100.0[q]	100.0[q]	–	–
					28,352	28,353

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

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

9. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Audited by Sycip, Gorres, Velayo & Co. (Member of Ernst & Young Global)
(b) Audited by Ernst & Young, Taiwan
(c) Audited by Ernst & Young (Cambodia) Ltd
(d) Audited by Ernst & Young LLP, Singapore
(e) Audited by other accounting firms
(f) No statutory audit is required in the country of incorporation
(g) Certain shares are held by non-controlling interests which are equivalent to 1.2% of the total paid-up capital.
(h) Certain shares held by non-controlling interests which are equivalent to 7.6% of the total paid-up capital were acquired by the Company in 2014.
(i) Certain shares are held by non-controlling interests which are equivalent to 48.9% of the total paid up capital.
(j) Includes equity-settled share options granted to employees of the subsidiaries which were regarded as capital contribution to the subsidiaries.
(k) Includes allowance for impairment of $16,000 as this subsidiary had been previously making losses.
(l) In 2020, the Board approved for the acquisition by the Company of all shares of MMSEZ, previously MTC's wholly owned subsidiary, for a total investment cost of $3,370,000.
(m) In 2020, Medtecs USA Corporation has been incorporated with an investment cost of $100,000, representing 100% shareholdings of the subsidiary.
(n) MAP has incorporated RMPL on 18 January 2021. On the same announcement date, MAP has entered into a joint venture agreement with a third-party company to govern their relationship as shareholders over RMPL. As of 31 December 2022, MAP and the third-party company have a total subscribed and paid-up capital amounting to $6,000,000 and $3,000,000 (2021: $6,000,000 and $2,500,000), respectively, for the $9,000,000 (2021: $8,500,000) total issued capital of RMPL. This represents certain shares are held by non-controlling interests which are equivalent to 33.3% (2021: 29.4%) of the total paid-up capital.
(o) On 16 March 2021, RMPL had incorporated RMKH Glove as its wholly owned subsidiary with an issued and paid-up capital of $2,000,000.
(p) On 1 December 2021, RMKH Glove incorporated RMKH Cambodia as its wholly owned subsidiary with an issued and paid-up capital of $2,500,000.
(q) On 14 October 2021, Jinchen had incorporated Hangzhou Jincheng Medical Technology Co., Ltd. as its wholly owned subsidiary, with total paid-up capital of RMB500,000.
(r) Fully impaired as this subsidiary had not been operating already.

(b) Interests in subsidiaries with material non-controlling interests:

	Proportion of ownership interest held by material non-controlling interests		**Accumulated material non-controlling interest at end of reporting period**	
	2022 %	2021 %	2022 $'000	2021 $'000
Lianheng	48.9%	48.9%	367	367
RMPL and subsidiaries	33.3%	29.4%	2,214	2,401

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

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

9. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Summarised financial information of subsidiaries with material non-controlling interests

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

Summarized statements of financial position

	Lianheng		RMPL and subsidiaries	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Non-current assets	–	–	22,218	12,496
Current assets	750	750	3,335	10,048
Non-current liabilities	–	–	(4,211)	(2,642)
Current liabilities	–	–	(14,692)	(11,736)
Net assets	750	750	6,650	8,166
Net assets attributable to NCI	367	367	2,214	2,401

Summarized statements of comprehensive income

	Lianheng		RMPL and subsidiaries	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Revenue	–	–	–	–
Loss for the year, representing total comprehensive loss (net of tax)	–	(716)	(2,016)	(335)
Total comprehensive loss allocated to NCI	–	(350)	(671)	(98)

Summarized statements of cash flows

	Lianheng		RMPL and subsidiaries	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Operating	–	–	(834)	11,680
Investing	–	–	(8,458)	(10,133)
Financing	–	–	50	8,500
Net (decrease)/increase in cash and cash equivalents	–	–	(9,242)	10,047

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

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

9. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Impairment assessment

The Company has performed impairment assessment on its investments in subsidiaries as at 31 December 2022 as there are impairment indicators that these investments are impaired. The recoverable amounts of the investments are determined based on the value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The following assumptions were based on based on management's reasonable estimates of the Group's operations in respective countries:

	Philippines	Cambodia	China
Key assumptions			
Revenue growth rates	3.0%	5.0%	8.0%
Terminal growth rates	3.0%	5.0%	2.3%
Pre-tax discount rates	11.4%-14.4%	12.2%-18.2%	11.1%

Key assumptions used for value-in-use calculation

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

a) Budgeted gross margins

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

b) Revenue growth rates

The forecasted revenue growth rates are based on management's estimate of the long-term average growth relevant to the investments in subsidiaries.

c) Terminal growth rates

The forecasted terminal growth rates are based on published industry research and do not exceed the long term average growth rate for the industries relevant to the investment in subsidiaries.

d) Pre-tax discount rates

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

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

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

9. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Impairment assessment (continued)

Sensitivity to changes in assumption

If the revenue growth rates and terminal growth rates have been decreased to the following rates or pre-tax discount rates have been increased to the following rates, the estimated recoverable amount would be almost equal to the carrying amount.

	Philippines	Cambodia	China
Revenue growth rates	0%	0% -1%	5.3%
Terminal growth rates	0%	0% - 0.9%	0%
Pre-tax discount rates	11.4% - 14.4%	12.9% - 19.0%	11.5%

10. GOODWILL

	Group	
	2022 $'000	2021 $'000
As at 1 January and 31 December	709	709

Goodwill acquired through business combinations has been allocated to the CGU, for impairment testing as follows:

	2022 $'000	2021 $'000
Manufacturing	198	198
Hospital services	511	511
	709	709

Impairment assessment

The recoverable amounts of the CGUs are determined based on the value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. For the purpose of estimating the recoverable amounts of the CGUs, management had used the following key assumptions for the cash flow projections given its existing business model and expansion of its distribution channel in China and Taiwan:

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

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

10. GOODWILL (continued)

Impairment assessment (continued)

	Revenue growth rates %	Terminal growth rates %	Pre-tax discount rates %
2022			
Manufacturing	7.0 – 10.0	1.0	9.6
Hospital services	7.0 – 10.0	1.0	9.6
2021			
Manufacturing	8.0	8.0	12.2
Hospital services	8.0	8.0	8.3

Key assumptions used for value-in-use calculation

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

a) *Budgeted gross margins*

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

b) *Revenue growth rates*

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

c) *Terminal growth rates*

The forecasted terminal growth rates are based on published industry research and do not exceed the long term average growth rate for the industries relevant to the cash-generating unit.

d) *Market share assumptions*

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

e) *Pre-tax discount rates*

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

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

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

10. GOODWILL (continued)

Impairment assessment (continued)

Sensitivity to changes in assumptions

Manufacturing

If the revenue growth rates and terminal growth rates have been decreased to the following rates or pre-tax discount rates have been increased to the following rates, the estimated recoverable amount would be almost equal to the carrying amount.

	2022	2021
Revenue growth rates	7.0% - 9.0%	5.6%
Terminal growth rates	0.7%	1.7%
Pre-tax discount rates	10.8%	13.2%

Hospital services

If the revenue growth rates and terminal growth rates have been decreased to the following rates or pre-tax discount rates have been increased to the following rates, the estimated recoverable amount would be almost equal to the carrying amount.

	2022	2021
Revenue growth rates	6.6% – 8.6%	4.2%
Terminal growth rates	0%	3.5%
Pre-tax discount rates	12.2%	9.2%

11. DUE FROM SUBSIDIARIES

	Company	
	2022 $'000	2021 $'000
Due from subsidiaries (trade)	2,795	8,917
Due from subsidiaries (nontrade)	14,130	11,601
	16,925	20,518

Amounts due from subsidiaries (trade) are unsecured, non-interest bearing and are payable upon demand.

Amounts due from subsidiaries (nontrade) pertain to advances made by the Company to RMPL for funding its construction activities, which are unsecured, interest bearing at 7% per annum and are also payable upon demand.

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

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

12. OTHER NON-CURRENT ASSETS

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Quoted equity investments	3,361	1,843	–	–
Investment in unquoted bond	3,000	–	–	–
Deposits	1,121	610	92	93
Guarantee deposit	557	712	–	–
Others	578	622	20	20
	8,617	3,787	112	113

Quoted equity investments

The Group has considered the nature, characteristics and risks of investment as well as the level of the fair value hierarchy within which the fair value measurement is categorized.

The Group measured its quoted equity investments at fair value through other comprehensive income under Level 1 of the valuation hierarchy and its valuation techniques is based on quoted market prices in active markets for identical assets or liabilities.

Investment in unquoted bond

During the financial year, the Group has invested in unquoted government bonds from Cambodian government amounting to $3,000,000 with a term of 3 years and interest rate of 5.5%. The Group measured its investment in unquoted bond at amortised cost and for which the fair value is disclosed based on unobservable inputs for the quoted market prices, valuations or quotes under Level 3 of the valuation hierarchy. Details are presented under Note 33.

Deposits

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

Guarantee deposit

Guarantee deposit pertains to deposits given to hospital clients in Taiwan as guarantee to perform services during the term of the service contracts, which will be refunded to the Group at the end of the term of the contract.

Others include golf club membership and other long-term investments.

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

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

13. INVENTORIES

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
At cost:				
Goods-in-transit	2,510	1,129	2,190	–
Raw materials	27,925	26,578	–	12
Work-in-progress	2,198	5,434	–	12
Supplies and spare parts	972	2,679	–	1
Finished goods	18,536	18,001	3,027	2,365
	52,141	53,821	5,217	2,390
At net realisable value:				
Goods-in-transit	2,424	1,129	1,445	–
Raw materials	21,545	25,150	–	12
Work-in-progress	777	5,512	–	12
Supplies and spare parts	961	2,613	–	1
Finished goods	10,687	15,256	1,859	2,365
	36,394	49,660	3,304	2,390
At lower of cost or net realisable value	36,394	49,660	3,304	2,390

The Group's inventories charged to operations in 2022 were $32,316,000 (2021: $64,269,000) (Note 24). Inventories are stated at net realisable value ("NRV") after allowance for inventory obsolescence. Movements in the allowance for inventory losses during the year are as follows:

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
As at 1 January	4,161	3,002	–	–
Charge for the year	11,748	3,000	1,913	–
Written off	(158)	(1,841)	–	–
Exchange differences	(4)	–	–	–
As at 31 December	15,747	4,161	1,913	–

In 2022, the Group and the Company recognized a provision for inventory obsolescence amounting to $11,748,000 and $1,913,000, respectively, arising from the inventory write-down of cost to its NRV, following the steep decline in average selling prices of PPE and face masks in the global market at the end of the COVID-19 pandemic. In addition, the Group also recognized provision amounting to $101,000 (2021: nil) for slow and non-moving inventories.

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

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

14. TRADE RECEIVABLES

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade receivables				
Manufacturing	31,473	38,896	28,608	25,785
Hospital services	2,253	2,232	–	–
Distribution and Others	426	1,454	–	–
	34,152	42,582	28,608	25,785
Less: Allowance for expected credit losses ("ECLs")	(3,794)	(235)	(2,738)	–
Total trade receivables	30,358	42,347	25,870	25,785
Add: Cash and cash equivalents and fixed deposits (Note 16)	35,281	58,290	3,366	15,711
Other current assets (Note 15)	6,102	13,072	2,277	7,672
Due from subsidiaries (Note 11)	–	–	16,925	20,518
Other non-current assets (Note 12)	8,617	3,787	112	113
Less: Prepayments (Note 15)	(846)	(1,420)	(568)	(762)
Tax receivables (Note 15)	(944)	(970)	–	–
Advances to supplier – net (Note 15)	(2,664)	(6,145)	(773)	(2,881)
Quoted equity investments (Note 12)	(3,361)	(1,843)	–	–
Deposits and guarantee deposit (Note 12)	(1,678)	(1,322)	(92)	(93)
Others (Note 12)	(578)	(622)	(20)	(20)
Total financial assets carried at amortised cost	70,287	105,174	47,097	66,043

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

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

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Philippine peso	339	576	–	–
Renminbi	51	263	–	–
New Taiwan dollar	2,333	1,930	–	–

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

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

14. TRADE RECEIVABLES (continued)

Expected credit losses ("ECLs")

The movement in allowance for ECLs of trade receivables computed based on lifetime ECL are as follows:

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
As at 1 January	235	220	–	–
Charge for the year	3,591	19	2,738	–
Written off	(23)	–	–	–
Exchange differences	(9)	(4)	–	–
As at 31 December	3,794	235	2,738	–

In 2022, the Group and the Company recognized a provision for ECL amounting to $3,591,000 and $2,738,000, respectively, arising from specific provisions on aged receivables and general provisions from management's assessment on collectability to its customers based on historical default rates.

15. OTHER CURRENT ASSETS

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Advances to suppliers	2,918	6,195	1,027	2,931
Prepayments	846	1,420	568	762
Advances to employees	165	62	28	23
Tax receivables	944	970	–	–
Other deposits	107	414	107	8
Sundry receivables	1,376	4,061	801	3,998
Less: Allowance for ECL	(254)	(50)	(254)	(50)
	6,102	13,072	2,277	7,672

Advances to suppliers are payments to suppliers for future deliveries of inventories that are to be liquidated within a year. In 2022, the Group has written off $1,500,000 of advances to suppliers due to management's assessment that the aged advances will no longer be collectible (2021: nil).

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

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

15. OTHER CURRENT ASSETS (continued)

Sundry receivables include rent receivables and claims from third parties.

Other deposits include a construction bond and refundable deposit expected to be collected within 12 months.

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

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Renminbi	1,248	274	–	–
Philippine peso	303	599	38	333
New Taiwan dollar	709	1,734	–	–
Singapore dollar	9	314	–	–

16. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cash in hand	2,815	43	2,771	1
Cash at bank	9,262	48,972	595	15,710
Fixed deposits	23,204	9,275	–	–
	35,281	58,290	3,366	15,711
Less: Fixed deposits with maturity of more than 3 months but less than 1 year (inc. pledged fixed deposits)	(17,159)	(9,275)	–	–
	18,122	49,015	3,366	15,711

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

Fixed deposits of the Group amounting to $833,000 (2021: $777,000) are pledged in connection with credit facilities granted by banks and short-term maturing loans. In addition, the withdrawal of such fixed deposits is subject to the banks' approval in connection with overdraft facilities, which the Group has total unused credit facilities amounting to $53,000,000 as of 31 December 2022 (2021: $54,000,000). The fixed deposits are denominated in US$ and PHP and earn annual interest ranging from 1.75% to 5.25% (2021: 0.08% to 3.6%).

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

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

16. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS (continued)

The cash and bank balances denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Philippine peso	4,866	3,485	43	44
New Taiwan dollar	3,451	3,351	2,770	–
Singapore dollar	683	15,444	134	7,124
Renminbi	685	692	–	–
Euros	7	52	1	52

Interest income earned by the Group and Company from fixed deposits amounted to $453,000 (2021: $33,000) and $26,000 (2021: $4,000), respectively.

17. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade payables	1,815	4,572	199	600
Other current liabilities:				
Other creditors	2,660	1,427	553	857
Accrued operating expenses	1,972	1,766	24	25
Total trade and other current liabilities	6,447	7,765	776	1,482
Add: Lease liabilities (Note 29)	3,910	6,779	316	476
Loans and borrowings (Note 18)	15,643	9,306	–	–
Less: Tax payables to government institutions	(191)	(1,156)	(19)	(163)
Total financial liabilities carried at amortised cost	25,809	22,694	1,073	1,795

Trade payables are unsecured, non-interest bearing and are payable within one year.

Amounts due to other creditors include payable to government institutions and advances from customers.

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

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

17. TRADE PAYABLES AND OTHER CURRENT LIABILITIES (continued)

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

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
New Taiwan dollar	1,178	2,341	–	–
Renminbi	1,515	1,034	–	–
Philippine peso	1,065	1,372	78	357

18. LOANS AND BORROWINGS

	Weighted average effective interest rate (per annum)	Maturity	Group 2022 $'000	Group 2021 $'000
New Taiwan Dollar (NTD) loans				
- Unsecured	2.04%	2023	978	3,889
- Secured	1.80%	2023	14,665	5,417
Total current interest-bearing loans and borrowings			15,643	9,306

Property, plant and equipment and fixed deposits with carrying amounts of $4,900,000 and $833,000, respectively (2021: $5,500,000 and $777,000, respectively) (Notes 6 and 16) are used to secure the loans and borrowings of the Group amounting to $14,665,000 (2021: $5,417,000).

The loans and borrowings pertain to withdrawn amount from the revolving credit line of the Group, which are short-term in nature, have payment terms from 2 to 6 months and can be renewed upon maturity. In March 2023, the Group has renewed its bank loans amounting to $15,000,000 upon maturity.

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

	31 December 2021/ 1 January 2022 $'000	Net cash flows $'000	Non-cash changes Others $'000	31 December 2022 $'000
Loans and borrowings	9,306	6,337	–	15,643
Lease liabilities	6,779	(5,855)	2,986	3,910
Accrued interest	19	(423)	404	–
Total	16,104	59	3,390	19,553

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

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

18. LOANS AND BORROWINGS (continued)

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

	31 December 2020/ 1 January 2021	Net cash flows	Non-cash changes Others	31 December 2021
	$'000	$'000	$'000	$'000
Term loans	1,250	(1,250)	–	–
- noncurrent	228	(228)	–	–
Loans and borrowings	31,603	(22,297)	–	9,306
Lease liabilities	3,544	(849)	4,084	6,779
Accrued interest	24	(408)	403	19
Total	36,649	(25,032)	4,487	16,104

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

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

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

19. REVENUE

Disaggregation of revenue

Group	Manufacturing		Hospital Services		Distribution and Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets								
North America	9,610	37,642	–	–	–	–	9,610	37,642
Asia Pacific	11,513	50,233	14,312	14,971	6,251	11,247	32,076	76,451
Europe	14,343	30,062	–	–	–	–	14,343	30,062
Australia	214	–	–	–	–	–	214	–
	35,680	117,937	14,312	14,971	6,251	11,247	56,243	144,155
Revenue from contracts								
Revenue from manufacturing	35,680	117,937	–	–	–	–	35,680	117,937
Revenue from hospital services	–	–	14,312	14,971	–	–	14,312	14,971
Revenue from distribution and others	–	–	–	–	6,251	11,247	6,251	11,247
	35,680	117,937	14,312	14,971	6,251	11,247	56,243	144,155
Timing of transfer of goods or services								
At a point in time	35,680	117,937	–	–	5,638	10,634	41,318	128,571
Over time	–	–	14,312	14,971	613	613	14,925	15,584
	35,680	117,937	14,312	14,971	6,251	11,247	56,243	144,155

Contex Corporation earned rental revenue for the financial year ended 31 December 2022 amounting to $612,501 (2021: $612,501) included under Distribution and others segment (Note 29).

Revenues from major customer of the Group's Manufacturing segment represent approximately 36% for the year ended 31 December 2022 (2021: $30%) of the Group's total revenues.

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

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

19. REVENUE (continued)

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

Company	2022 $'000	2021 $'000
Primary geographical markets		
North America	7,329	17,714
Asia Pacific	3,273	51,286
Australia	214	–
	10,816	69,000
Revenue from contracts		
Revenue from manufacturing	10,816	69,000
Timing of transfer of goods or services		
At a point in time	10,816	69,000

20. OTHER INCOME - NET

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Foreign exchange gain/(loss)	830	25	(159)	42
Rent income	213	46	601	–
Gain/(loss) on disposals	165	58	(430)	461
Scrap sales	630	698	–	–
Gain from insurance claims	78	–	78	–
Other income from reversal of long-outstanding liabilities	42	704	3	704
Others	503	233	28	26
	2,461	1,764	121	1,233

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

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

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

21. EMPLOYEE BENEFITS

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Personnel expenses				
Wages, salaries and bonus	25,437	31,313	4,189	3,509
Defined benefit plans and other social expenses	1,368	1,388	48	53
	26,805	32,701	4,237	3,562

Personnel expenses include amounts disclosed as directors' remuneration in Note 28(b).

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Personnel expenses				
Cost of sales	17,282	24,851	29	67
Administrative expenses	7,188	6,305	3,292	3,072
Distribution and selling expenses	2,335	1,545	916	423
	26,805	32,701	4,237	3,562

The other employee benefits include the expenses related to the defined contribution plan of MTC. The Labor Pension Act (the "Act") in Taiwan, which provides for a new defined contribution plan, took effect on 1 July 2005. Employees already covered by the Labor Standard Law (the "Law") can choose to remain to be subject to the pension mechanism under the Law or to be subject to the Act. Under the Act, the rate of the employer monthly contribution to the pension fund should be at least 6% of the employee's monthly wages.

Pension plan

This relates to the amount of pension benefit expense provided for the subsidiaries and the branch in the Group operating in the Philippines covering substantially all its regular employees. Retirement benefits under the plan are based on a percentage of latest monthly salary and years of credited service. The directors review the pension benefits expense with sufficient regularity such that the amount recorded does not differ materially from the amount to be recorded in compliance with SFRS(I) 1-19 at the end of the year.

Under the existing regulatory framework, Republic Act 7641 of the Philippines, Retirement Pay Law, a provision for retirement pay is required to qualified private sector employees in the absence of any retirement plan in the entity, provided however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The latest independent actuarial valuation of the plan was as of 31 December 2022 prepared by an independent actuary, and is determined using the projected unit credit actuarial cost method in accordance with SFRS(I) 1-19.

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

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

21. EMPLOYEE BENEFITS (continued)

Pension plan (continued)

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

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Current service cost	74	95	18	23
Interest cost	49	41	11	10
Net benefit expense	123	136	29	33

The amount recognised in the balance sheet arising from the Group's and the Company's unfunded obligation in respect of its defined benefit plan in 2022 were $811,000 (2021: $1,075,000) and $167,000 (2021: $240,000), respectively. The management of the Group is still contemplating on a scheme to fund the pension plan.

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

	Unfunded pension plan			
	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
As at 1 January	1,075	1,221	240	276
Current service cost	74	95	18	23
Interest cost	49	41	11	10
Benefits paid	(35)	(28)	(29)	(15)
Translation adjustment	(89)	(60)	(17)	(16)
Net remeasurement gain	(263)	(194)	(56)	(38)
As at 31 December	811	1,075	167	240

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

	Group		Company	
	2022	2021	2022	2021
Discount rate	7.02% - 7.10%	4.91% - 4.98%	7.10%	4.98%
Salary increase rate	5.0%	5.0%	5.0%	5.0%

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

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

21. EMPLOYEE BENEFITS (continued)

Pension plan (continued)

The history of experience adjustments are as follows:

	Group				
	2022	2021	2020	2019	2018
	$'000	$'000	$'000	$'000	$'000
Unfunded defined benefit obligation	811	1,075	1,221	927	585
Change in assumption adjustments on plan liabilities	(233)	(221)	267	133	(150)
Experience adjustments on plan liabilities	(30)	27	(119)	110	(26)

	Company				
	2022	2021	2020	2019	2018
	$'000	$'000	$'000	$'000	$'000
Unfunded defined benefit obligation	167	240	276	225	133
Change in assumption adjustments on plan liabilities	(55)	(45)	42	53	(33)
Experience adjustments on plan liabilities	–	7	(29)	17	(30)

A quantitative sensitivity analysis for significant assumption as at 31 December 2022 is as shown below:

		Impact on defined benefit obligation	
		Group	Company
Assumptions	Sensitivity Level	(Decrease)/increase $'000	(Decrease)/increase $'000
Discount rates	+0.5%	(45)	(11)
	-0.5%	41	11
Future salary increases	+2%	209	49
	-2%	(161)	(38)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a key assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

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

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

21. EMPLOYEE BENEFITS (continued)

Pension plan (continued)

The following payments are expected contributions to the defined benefit plan obligation in future years as at 31 December 2022:

	Group $'000	Company $'000
Within the next 12 months (next annual reporting period)	37	–
More than 1 year to 5 years	101	29
More than 5 years to 10 years	631	64
More than 10 years to 15 years	1,604	368
More than 15 years to 20 years	1,636	510
More than 20 years	3,674	1,337
	7,683	2,308

The average duration of the defined benefit plan obligation at the end of the reporting period is 18.5 years (2021: 19.0 years).

22. FINANCIAL INCOME

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Interest income from:				
- Fixed deposits	453	33	26	4
- Investment in unquoted bond	165	–	–	–
- Loan and receivables	24	–	24	–
- Subsidiaries	–	–	765	112
Dividend income from quoted equity investments	263	–	–	–
Total financial income	905	33	815	116

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

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

23. FINANCIAL EXPENSES

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Interest expense on:				
- Loans from third parties	423	398	208	10
- Lease liabilities (Note 29)	396	455	36	33
Other finance costs	132	38	4	3
Total financial expenses	951	891	248	46

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

24. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cost of sales and services				
Cost of goods sold	20,568	61,269	5,111	41,665
Provision for inventory obsolescence (Note 13)	11,748	3,000	1,913	–
Personnel expenses (Note 21)				
- wages, salaries and bonus	16,188	23,729	14	39
- defined benefit plans	94	117	13	25
- other social expenses	1,000	1,005	2	3
Depreciation				
- property, plant and equipment (Note 6)	1,868	2,239	–	1
- investment property (Note 7)	111	111	–	–
- assets held for leasing (Note 8)	1,988	2,136	–	–
- right-of-use assets (Note 29)	125	78	2	2
Operating lease expenses (Note 29)	219	401	–	–
Distribution and selling expenses				
Personnel expenses (Note 21)				
- wages, salaries and bonus	2,206	1,435	907	417
- defined benefit plans	7	4	4	1
- other social expenses	122	106	5	5
Freight-out expenses	5,916	6,457	4,181	2,738
Advertising expenses	2,123	1,444	2,123	1,444
Commission expenses	192	644	191	572
Professional fees	124	558	–	–

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

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

24. (LOSS)/PROFIT BEFORE TAX (continued)

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Administrative expenses				
Personnel expenses (Note 21)				
- wages, salaries and bonus	7,043	6,149	3,268	3,053
- defined benefit plans and other social expenses	145	156	24	19
Provision for ECL (Notes 14 and 15)	3,795	19	2,942	–
Depreciation				
- property, plant and equipment (Note 6)	1,309	1,328	91	21
- right-of-use assets (Note 29)	1,003	741	177	68
Operating lease expenses (Note 29)	195	139	21	44
Auditor remuneration:				
Audit services				
- auditor of the Company	235	175	148	66
- other auditor of the Company	204	53	55	–
Non-audit services				
- auditor of the Company	–	42	–	10
- other auditor of the Company	38	–	32	–
Documentation and handling costs	154	122	105	76
Professional fees:				
- corporate secretaries	212	93	205	86
- construction consultant	118	52	–	–
- other consultant and retainer fees	496	507	370	351

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

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

25. INCOME TAX CREDIT/(EXPENSE)

a) Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the years ended 31 December are:

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current tax expense	499	442	–	–
Deferred tax expense:				
Origination and reversal of temporary differences	(1,890)	(34)	25	–
Income tax (credit)/expense recognized in the profit and loss	(1,391)	408	25	–

b) Relationship between tax expense and accounting (loss)/profit

The reconciliation between the tax (credit)/expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rates for the years ended 31 December 2022 and 2021 are as follows:

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
(Loss)/profit before tax	(30,654)	16,918	(11,602)	16,730
Tax on relevant profits/(losses) at the Parent Company's statutory rate	–	–	–	–
Adjustments:				
Effect of higher tax rates in Cambodia	(1,918)	180	–	–
Effect of higher tax rates in Philippines	(299)	(165)	(198)	(33)
Effect of higher tax rates in Taiwan	218	159	–	–
Effect of higher tax rates in China	5		–	–
Non-deductible expenses	(48)	36	26	29
Movement of unrecognized deferred tax assets	346	147	186	–
Translation adjustment	276	52	11	–
Unutilized tax losses	23	–	–	–
Other income subjected to final tax	(5)	–	–	–
Others	11	(1)	–	4
Income tax (credit)/expense recognised in profit and loss	(1,391)	408	25	–

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

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

25. INCOME TAX CREDIT/(EXPENSE) (continued)

c) Deferred tax assets and liabilities

Deferred tax assets for the Group and the Company as at 31 December relate to the following:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Accruals	–	12	–	12
Translation adjustments	(5)	13	–	(2)
Excess of lease liability over right-of-use assets	11	8	–	2
Unutilized tax losses	2,100	–	–	–
	2,106	33	–	12

No deferred tax assets were recognised for the temporary differences arising from MMTC's tax losses amounting to $1,400,000 (2021: $1,900,000), which can be applied to future taxable income from 2023 to 2025, as it is not probable that sufficient taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

Deferred tax liabilities

The Group's and the Company's deferred tax liabilities, which arise mostly from exchange differences, amounted to $326,000 (2021: $147,000) and $13,000 (2021: nil), respectively. In 2022, the Group has recognized a deferred tax liability amounting to $65,000 (2021: nil) for the net remeasurement gain of pension liability.

The temporary differences associated with investments in the Group's subsidiaries, for which as at 31 December 2022 and 2021, a deferred tax liability has not been recognised in the periods presented. The Group has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

There are no income tax consequences attached to the payment of dividends in either 2022 or 2021 by the Group to its shareholders.

d) Other matters

The Company is an exempted company incorporated in Bermuda and as such, the income and capital gains of the Company are not subjected to tax in Bermuda.

Certain subsidiaries and the branch of the Group operating in the Philippines are registered as economic zone enterprises enjoying incentives such as a 5% special tax rate on gross margin earned after the tax holiday in lieu of all Philippine national and local taxes, and tax and duty-free importation of raw materials, capital equipment, household and personal items for use solely within the economic zone area. In 2010, the economic zone was converted into a freeport zone by virtue of the Republic Act (RA) No. 9728. Under the new law, existing enterprises within the ecozone are eligible to register as freeport enterprises with option to avail of existing incentives under RA No. 7916. The subsidiaries and the branch registered with the freeport zone and availed of the existing incentives.

In Cambodia, the tax on profit ("ToP") is the higher of 20% of taxable income or a minimum tax of 1% of total revenue. There are no income tax consequences attaching to payment of dividends by the Company to its shareholders.

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

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

26. (LOSS)/EARNINGS PER SHARE

The following tables reflect the profit and loss accounts and share data used in the computation of basic and diluted (loss)/earnings per share for the years ended 31 December:

	Group	
	2022	2021
	$'000	$'000
Net (loss)/profit attributable to ordinary equity holders of the Company used in the computation of basic and diluted EPS	(28,596)	17,342
Weighted average number of ordinary shares used to compute earnings per share ('000)	545,286	546,911
(Loss)/earnings per share (cents)	(5.244)	3.171

Earnings per share (EPS) computation

The basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares (excluding treasury shares) outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

In 2022 and 2021, there was no adjustment since the effects of the share options are anti-dilutive for the financial period presented. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

27. DIVIDENDS

On 27 May 2022, the Board of Directors issued a notice on the declaration of cash dividends amounting to $0.0060 per ordinary share (tax not applicable) to shareholders of record as of 16 June 2022. The cash dividends were paid on 13 July 2022 amounting to $3,271,000 (2021: $22,840,000).

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

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

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

a) Transactions with related parties

In addition to the related parties information disclosed elsewhere in the financial statements, the following are the significant transactions between the Group and related parties that took place at terms agreed between the parties during the financial year:

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Income:				
Sales to related parties	–	–	2,962	25,116
Costs and expenses:				
Purchases from related parties	–	–	4,610	39,886
Operating expenses from related parties	926	–	–	–

Other than the above, the Group has no other related party transactions except for the lease agreement with a director related company as mentioned in Note 29.

b) Compensation of key management personnel

Key management personnel compensation (including executive director's remuneration) comprised:

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Director's fee*	208	215	205	211
Wages, salaries and bonus	2,858	2,497	2,858	2,497
Defined benefit plans and other social expenses	18	25	18	25
	3,084	2,737	3,081	2,733
Comprise directors' remunerations for executive directors of:				
- the Company	2,539	2,232	2,539	2,232
- the subsidiaries	–	–	–	–
	2,539	2,232	2,539	2,232

*Include director's fee for directors of subsidiaries amounting to $3,000 (2021: $4,000)

The remuneration of key management personnel are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

There are no termination benefits or other long-term employee benefits granted to key management personnel in 2022 and 2021.

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

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

29. LEASES

Group as lessor

The Group leases its linens under its hospital services. The lease term for each hospital service contract is between one to five years renewable by agreement of the parties. The rate per hospital is based on their consumption and the future minimum lease is not practically determinable.

As at 31 December 2022, the Group entered into operating lease agreement in respect of a building and its improvements. Operating lease income recognised in the profit and loss accounts of the Group for the financial year ended 31 December 2022 is $612,501 (2021: $612,501). Security deposit to be refunded and/or to be applied to unpaid rent of the lessee upon termination of the lease as at 31 December 2022 amounted to $63,552 (2021: $59,132). The excess of the principal amount of the security deposit over its fair value, at the inception date of the operating lease, is presented as 'Deferred lease income'. Current and non-current portion of the deferred lease income as at 31 December are as follows:

	Group	
	2022 $'000	2021 $'000
Deferred lease income - current	5	5
Deferred lease income - non-current	23	28
	28	33

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

	Group	
	2022 $'000	2021 $'000
Not later than one year	627	615
Later than one year but not later than five years	3,155	3,266
Later than five years	–	517
	3,782	4,398

Group as lessee

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

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

In 2022, the Company also entered into a land lease agreement with Manhattan International Corp. (MIC) for 50 years of which one of the directors of MIC is a director of the Company (Note 28). The Group recognized amortisation expense of $143,000 (2021: $132,000) and interest expense accretion of $106,000 (2021: $154,000) related to the right-of-use assets and lease liabilities, respectively. As at 31 December 2022, the related right-of-use assets and lease liability amounted to $4,400,000 (2021: $2,700,000) and nil (2021: $2,600,000), respectively.

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

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

29. LEASES (continued)

a) Right-of-use assets

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
As at 1 January	8,386	5,573	380	77
Additions	2,680	3,636	4,500	373
Depreciation	(1,128)	(819)	(179)	(70)
Foreign currency exchange adjustment	(35)	(4)	–	–
As at 31 December	9,903	8,386	4,701	380

b) Lease liabilities

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
As at 1 January	6,779	3,544	476	211
Additions	2,680	3,636	–	373
Accretion of interest (Note 23)	396	455	36	33
Payment of lease liabilities	(5,855)	(849)	(155)	(141)
Foreign currency exchange adjustment	(90)	(7)	(41)	–
As at 31 December	3,910	6,779	316	476
Current	575	988	129	139
Non-current	3,335	5,791	187	337

The maturity analysis of lease liabilities is disclosed in Note 32.

c) Amounts recognised in profit or loss

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Depreciation of right-of-use assets (Note 24)	1,128	819	179	70
Interest expense on lease liabilities (Note 23)	396	455	36	33
Operating lease expenses related to short term and low value leases (Note 24)	414	540	21	44
Total amount recognised in profit or loss	1,938	1,814	236	147

During the financial year, the Group has total cash outflows for leases (including short-term and leases of low value assets) of $6,269,000 (2021: $1,389,000).

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

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

30. CONTINGENT LIABILITIES

Contingent assets

On 12 November 2021, the Company engaged a legal firm to recover an advance to a supplier amounting to $822,000. On 20 January 2022, the Company commenced an arbitral proceeding against the supplier, as it failed to make any payment to the Company. On 25 October 2022, the arbitral award was obtained in favor of the Company for a total consideration amounting to $966,000. The additional arbitral award of $144,000 has not been recognized during the financial year 31 December 2022, as the receipt of the consideration is not virtually certain and it is dependent on the aggregate result of the enforcement of the arbitral award against the supplier.

31. GROUP SEGMENTAL REPORTING

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

The *manufacturing segment* produces and sub-contracts a wide range of medical consumables, including patients' apparels, disposable surgical masks, boot covers and surgical gowns, underpads, adult diapers, crochet blankets, bed linens and medical bandages. These medical consumables are supplied to large medical multinational corporation distributors, pharmaceutical companies and hospital groups in the USA and Europe.

The *hospital services segment* provides laundry and leasing services to various hospitals that are outsourcing its non-critical functions.

The *distribution and others segment* is involved in the marketing of Medtecs-branded medical consumables to hospitals, pharmacies and other end users in Asia Pacific and through online channels. The Group also leverages on its distribution network to market other branded medical supplies and equipment such as wheel chairs, syringes, nebulizers and blood pressure monitors.

Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities, loans and borrowings and related expenses. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated upon consolidation.

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

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

31. GROUP SEGMENTAL REPORTING (continued)

(a) Business segments

The following table presents revenue, results and other information, assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2022 and 2021.

2022	Manufacturing $'000	Hospital services $'000	Distribution and others $'000	Group $'000
Revenue				
Third parties	35,680	14,312	6,251	56,243
Related parties	26,757	–	–	26,757
Total revenues	62,437	14,312	6,251	83,000
Eliminations	(26,757)	–	–	(26,757)
	35,680	14,312	6,251	56,243
Results	(30,739)	403	(272)	(30,608)
Financial expenses				(951)
Financial income				905
Income tax benefit				1,391
Net loss for the year				(29,263)
Total assets	162,732	16,295	3,022	182,049
Total liabilities	29,399	274	61	29,734
Other segment information:				
Capital expenditure	16,354	1,751	–	18,105
Depreciation and amortization	3,757	2,536	111	6,404
Provision for inventory losses	10,984	–	764	11,748
Provision for ECL on receivables and other current assets	3,795	–	–	3,795
Other non-cash expenses - net	327	–	–	327

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

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

31. GROUP SEGMENTAL REPORTING (continued)

(a) Business segments (continued)

2021	Manufacturing $'000	Hospital services $'000	Distribution and others $'000	Group $'000
Revenue				
Third parties	117,937	14,971	11,247	144,155
Related parties	56,641	–	–	56,641
Total revenues	174,578	14,971	11,247	200,796
Eliminations	(56,641)	–	–	(56,641)
	117,937	14,971	11,247	144,155
Results	14,683	413	2,680	17,776
Financial expenses				(891)
Financial income				33
Income tax expense				(408)
Net profit for the year				16,510
Total assets	196,393	15,047	4,134	215,574
Total liabilities	27,376	234	57	27,667
Other segment information:				
Capital expenditure	12,328	1,766	–	14,094
Depreciation and amortization	4,386	2,136	111	6,633
Provision for inventory losses	3,000	–	–	3,000
Provision for ECL on receivables	10	9	–	19
Other non-cash expenses - net	450	–	–	450

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

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

31. GROUP SEGMENTAL REPORTING (continued)

(b) Geographical segments

The following table presents revenue, capital expenditure and certain assets information regarding the Group's geographical segments as at and for the years ended 31 December 2022 and 2021.

2022	North America $'000	Asia Pacific $'000	Europe $'000	Australia $'000	Group $'000
Revenue					
Third parties	9,610	32,076	14,343	214	56,243
Related parties	–	26,757	–	–	26,757
Total revenues	9,610	58,833	14,343	214	83,000
Eliminations	–	(26,757)	–	–	(26,757)
	9,610	32,076	14,343	214	56,243
Results	(5,230)	(17,456)	(7,806)	(116)	(30,608)
Financial expenses					(951)
Financial income					905
Income tax benefit					1,391
Net loss for the year					(29,263)
Total assets	353	180,622	1,074	–	182,049
Total liabilities	–	29,734	–	–	29,734
Other segment information:					
Capital expenditures	–	18,105	–	–	18,105
Depreciation and amortization	–	6,404	–	–	6,404
Provision for inventory losses	–	11,748	–	–	11,748
Provision for ECL on receivables and other current assets	–	3,795	–	–	3,795
Other non-cash expenses - net	–	327	–	–	327

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

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

31. GROUP SEGMENTAL REPORTING (continued)

(b) Geographical segments (continued)

2021	North America $'000	Asia Pacific $'000	Europe $'000	Group $'000
Revenue				
Third parties	37,642	76,451	30,062	144,155
Related parties	–	56,641	–	56,641
Total revenues	37,642	133,092	30,062	200,796
Eliminations	–	(56,641)	–	(56,641)
	37,642	76,451	30,062	144,155
Results	4,642	9,427	3,707	17,776
Financial expenses				(891)
Financial income				33
Income tax expense				(408)
Net profit for the year				16,510
Total assets	6,391	206,574	2,609	215,574
Total liabilities	–	27,667	–	27,667
Other segment information:				
Capital expenditures	–	14,094	–	14,094
Depreciation and amortization	–	6,633	–	6,633
Provision for inventory losses	–	3,000	–	3,000
Provision for ECL on receivables	–	19	–	19
Other non-cash expenses - net	–	450	–	450

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are cash and bank balances, fixed deposits, bank loans and term loans. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as, trade receivables, trade payables, due from an affiliated company and corporate shareholder, other current assets and other current liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risks (both fair value and cash flow), liquidity risk, foreign currency risk and credit risk. The directors review and agree policies and procedures for managing each of these risks and they are summarised below.

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

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in the market interest rates.

The Group's exposure to interest rate risk arises primarily from loans and borrowings. The Group's policy is to obtain the most favorable interest rates available using a mix of fixed and variable rate debts without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's loans and borrowings (Note 18).

The following tables set out the carrying amounts of the Group's and the Company's financial instruments that are exposed to interest rate risk and have maturity of within one year:

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Fixed rate				
Cash equivalents	6,045	–	–	–
Fixed deposits	17,159	9,275	–	–
Floating rate				
Cash and bank balances	9,262	48,972	595	15,710
Loans and borrowings	(15,643)	(9,306)	–	–

The Group and Company did not have any financial instruments with maturity beyond 1 year.

Sensitivity analysis for interest rate risk

The impact on the sensitivity to a reasonably possible change in interest rates based on management's assessment, with all other variables held constant, of the Group's loss before tax and of the Company's loss before tax (through the impact of interest expense on floating rate loans and borrowings) and the Group's and Company's equity is $15,000 in 2022 (2021: $24,000).

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

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

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of financial assets and liabilities.

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and debentures. Additional short-term funding is obtained from short-term bank loans. As at 31 December 2022, 100% (2021: 100%) of the Group's debt will mature in less than one year.

The table summarises the maturity profile of the Group's and Company's financial assets and financial liabilities at the end of the reporting period based on contractual repayment obligations:

2022
Group

	Total carrying value $'000	On demand $'000	< 1 year $'000	1 - 5 years $'000	> 5 years $'000	Total $'000
Undiscounted financial assets:						
Cash and cash equivalents	18,122	12,078	6,044	–	–	18,122
Fixed deposits	17,159	–	17,159	–	–	17,159
Trade receivables - net	30,358	20,942	9,416	–	–	30,358
Other current assets(1)	1,648	–	1,648	–	–	1,648
Other non-current assets(2)	3,000	–	–	3,000	–	3,000
Total undiscounted financial assets	70,287	33,020	34,267	3,000	–	70,287
Undiscounted financial liabilities:						
Loans and borrowings	15,643	–	15,643	–	–	15,643
Trade payables and other current liabilities(3)	6,256	6,256	–	–	–	6,256
Lease liabilities	3,910	–	830	1,817	10,660	13,307
Total undiscounted financial liabilities	25,809	6,256	16,473	1,817	10,660	35,206
Total net undiscounted financial assets/(liabilities)	44,478	26,764	17,794	1,183	(10,660)	35,081

(1) Excluding prepayments, tax receivables and advances to suppliers - net.
(2) Pertaining to investment in unquoted bonds.
(3) Excluding tax payables to government institutions.

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

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Liquidity risk (continued)

2022
Company

	Total carrying value $'000	On demand $'000	< 1 year $'000	1 - 5 years $'000	> 5 years $'000	Total $'000
Undiscounted financial assets:						
Cash and cash equivalents	3,366	3,366	–	–	–	3,366
Trade receivables - net	25,870	22,723	3,147	–	–	25,870
Other current assets[(1)]	936	–	936	–	–	936
Due from subsidiaries	16,925	16,925	–	–	–	16,925
Total undiscounted financial assets	47,097	43,014	4,083	–	–	47,097
Undiscounted financial liabilities:						
Trade payables and other current liabilities[(2)]	757	757	–	–	–	757
Lease liabilities	316	–	138	227	611	976
Total undiscounted financial liabilities	1,073	757	138	227	611	1,733
Total net undiscounted financial assets/(liabilities)	46,024	42,257	3,945	(227)	(611)	45,364

(1) Excluding prepayments and advances to suppliers - net.
(2) Excluding tax payables to government institutions.

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

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Liquidity risk (continued)

2021
Group

	Total carrying value $'000	On demand $'000	< 1 year $'000	1 - 5 years $'000	> 5 years $'000	Total $'000
Undiscounted financial assets:						
Cash and cash equivalents	49,015	49,015	–	–	–	49,015
Fixed deposits	9,275	–	9,275	–	–	9,275
Trade receivables - net	42,347	20,795	21,552	–	–	42,347
Other current assets[(1)]	4,537	–	4,537	–	–	4,537
Total undiscounted financial assets	105,174	69,810	35,364	–	–	105,174
Undiscounted financial liabilities:						
Loans and borrowings	9,306	–	9,306	–	–	9,306
Trade payables and other current liabilities[(2)]	6,609	6,609	–	–	–	6,609
Lease liabilities	6,779	–	909	2,554	11,702	15,165
Total undiscounted financial liabilities	22,694	6,609	10,215	2,554	11,702	31,080
Total net undiscounted financial assets/(liabilities)	82,480	63,201	25,149	(2,554)	(11,702)	74,094

(1) Excluding prepayments and advances to suppliers - net.
(2) Excluding tax payables to government institutions.

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

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Liquidity risk (continued)

2021
Company

	Total carrying value $'000	On demand $'000	< 1 year $'000	1 - 5 years $'000	> 5 years $'000	Total $'000
Undiscounted financial assets:						
Cash and cash equivalents	15,711	15,711	–	–	–	15,711
Trade receivables - net	25,785	9,369	16,416	–	–	25,785
Other current assets[(1)]	4,029	–	4,029	–	–	4,029
Due from subsidiaries	20,518	20,518	–	–	–	20,518
Total undiscounted financial assets	66,043	45,598	20,445	–	–	66,043
Undiscounted financial liabilities:						
Trade payables and other current liabilities[(2)]	1,319	1,319	–	–	–	1,319
Lease liabilities	476	–	150	248	819	1,217
Total undiscounted financial liabilities	1,795	1,319	150	248	819	2,536
Total net undiscounted financial assets/(liabilities)	64,248	44,279	20,295	(248)	(819)	63,507

(1) Excluding prepayments and advances to suppliers - net.
(2) Excluding tax payables to government institutions.

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

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily, Philippine Peso (PHP), Renminbi (RMB), New Taiwan Dollar (NTD) and Singapore Dollar (SGD). The foreign currencies in which these transactions are denominated are mainly US$. Approximately 42% (2021: 19%) of the Group's sales are denominated in foreign currencies whilst almost 40% (2021: 31%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payable balances at the end of the reporting period have similar exposures.

The Group and the Company also hold cash and fixed deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in NTD and SGD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Taiwan and People's Republic of China (PRC).

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's profit/(loss) before tax to a reasonably possible change in the PHP, RMB, NTD, SGD and EUR exchange rates (against US$), with all other variables held constant. The reasonably possible change was computed based on management assessment.

	Group	
	2022 $'000	2021 $'000
	Effect on profit/(loss) before tax	Effect on profit/(loss) before tax
PHP		
Strengthened 9.3% (2021: 6.2%)	267	194
Weakened 9.3% (2021: 6.2%)	(221)	(171)
RMB		
Strengthened 9.5% (2021: 2.6%)	(77)	(2)
Weakened 9.5% (2021: 2.6%)	63	2
NTD		
Strengthened 10.8% (2021: 1.4%)	(1,331)	85
Weakened 10.8% (2021: 1.4%)	1,071	(88)
SGD		
Strengthened 0.03% (2021: 1.5%)	(1)	229
Weakened 0.03% (2021: 1.5%)	1	(222)

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

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and credit-worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Chief Executive Officer.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and bank balances and other receivables (including related party balances), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Trade receivables
The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to months past due. The loss allowance provision as at 31 December 2022 and 2021 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions. Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix.

2022
Group

	Current	> 1 month	> 2 months	> 3 months	> 4 months	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	6,143	598	9,799	1,489	16,123	34,152
Loss allowance provision	–	–	–	–	(3,794)	(3,794)
	6,143	598	9,799	1,489	12,329	30,358

2021
Group

	Current	> 1 month	> 2 months	> 3 months	> 4 months	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	20,842	2,333	2,674	274	16,459	42,582
Loss allowance provision	–	–	–	–	(235)	(235)
	20,842	2,333	2,674	274	16,224	42,347

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

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Credit risk (continued)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at end of the reporting period is as follows:

	Group			
	2022		2021	
	$'000	% of total	$'000	% of total
By region:				
North America	353	1%	6,391	15%
Europe	1,074	4%	2,609	6%
Asia Pacific	28,931	95%	33,347	79%
	30,358	100%	42,347	100%
By segment:				
Manufacturing	27,707	91%	38,718	91%
Hospital services	2,245	8%	2,175	5%
Distribution and others	406	1%	1,454	4%
	30,358	100%	42,347	100%

The Group has no significant concentrations of credit risk, except for 4% (2021: 4%) of trade debts relating to three major customers of the Group. Revenues from these three customers constitute about 36% (2021: 30%) of the Group's turnover.

At the end of the reporting period, approximately:

- $1,300,000 (2021: $1,500,000) of the Group's trade receivables were due from three major customers located in North America and Europe.
- Nil (2021: nil) of the Group's and Company's trade and other receivables were due from related parties outside the Group, while nil (2021: nil) of the Company's trade and other receivables were balances with related parties outside the Group.

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

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Credit risk (continued)

<u>Credit quality</u>

The credit quality of the Group's financial assets that are neither past due nor impaired are considered to be of high grade quality and expected to be collectible without incurring any credit losses. High grade financial assets are those financial assets whose realisability is assured.

Financial assets (including sundry debtors and deposits) that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group. Cash and cash equivalents and fixed deposits are entered into with reputable financial institutions duly approved by the directors.

Information regarding financial assets that are either past due or impaired is disclosed in Note 14.

33. FAIR VALUE OF ASSETS AND LIABILITIES

a) Fair value hierarchies

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;

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 asset or liability that are not based on observable market data (unobservable inputs).

b) Financial instruments whose carrying amounts approximate fair values

Management has determined that the carrying amounts of cash and cash equivalents, fixed deposits, due from subsidiaries, trade receivables, other current assets, trade payables and other current liabilities and bank loans based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently.

c) Assets and Liabilities measured at fair value and for which fair values are disclosed

The following table provides the fair value measurement hierarchy of the Group's assets. The Group has no liabilities which are measured at fair value nor which fair values are disclosed in the financial statements as at 31 December 2022 and 2021.

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

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

33. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

c) Assets and Liabilities measured at fair value and for which fair values are disclosed (continued)

Fair value measurement hierarchy for assets as at 31 December 2022 and 2021:

2022		Fair value measurement using			
	Date of valuation	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Assets measured at fair value					
Listed equity investments (Note 12)	31 December 2022	3,361	3,361	–	–
Assets for which fair values are disclosed					
Investment property (Note 7)	31 December 2022	3,774	–	–	3,774
Investment in unquoted bonds (Note 12)	31 December 2022	3,195	–	–	3,195

2021		Fair value measurement using			
	Date of valuation	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Assets measured at fair value					
Listed equity investments (Note 12)	31 December 2021	1,843	1,843	–	–
Assets for which fair values are disclosed					
Investment property (Note 7)	31 December 2021	4,285	–	–	4,285

There has been no transfer between Level 1 and Level 2 and no transfer into or out of Level 3 during the financial years ended 31 December 2022 and 2021.

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

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

34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by the sum of total capital and net debt. The Group's policy is to keep the gearing ratio below 60.0%. The Group includes within net debt, loans and borrowings, trade payables and other current liabilities, less cash and bank balances and fixed deposits. Capital includes equity attributable to the equity holders of the Company.

	Group	
	2022 $'000	2021 $'000
Loans and borrowings	15,643	9,306
Trade payables and other current liabilities	6,447	7,765
Less: Cash and cash equivalents and fixed deposits	(35,281)	(58,290)
	(13,191)	(41,291)
Equity attributable to the equity holders of the Company	149,789	185,214
Capital and net debt	136,598	143,923
Gearing ratio	(9.7%)	(28.7%)

35. COMPARATIVE FIGURES

Prior year's comparative figures were audited by Messrs Sycip Gorres Velayo & Co.

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution by the Board of Directors on 14 June 2023.

MEDTECS INTERNATIONAL CORPORATION LIMITED

To request a physical copy of the annual report, please email investor.relations@medtecs.com with your full name, contact number and delivery address.

Bermuda
Medtecs International Corporation Limited
Clarendon House 2 Church Street, Hamilton HM11, Bermuda
+886-2-2739-2222

Cambodia
Medtecs (Cambodia) Corporation Limited
No. 52, Street 606 Corner Street 311, Village 8,
Sangkat Boeng Kat 2 Khan Toul Kork,
Phnom Penh, Cambodia 120408
+855-023-866-6659

China
Hangzhou Jincheng Medical Supplies Manufacture Co., Ltd.
202 Zhangshan Road, Yuhang District, Hangzhou, China 311107
+86-571-8639-6888

Philippines
Medtecs International Corporation Limited – Philippine Branch
The World Centre, 22nd Floor #330 Sen. Gil Puyat Ave.,
Makati City 1227, Philippines
+632-817-9000

Singapore
Medtecs (Asia Pacific) Pte. Ltd.
138 Cecil Street, #13-02 Cecil Court, Singapore 069538
+65-6534-9293

Taiwan
Medtecs (Taiwan) Corporation
11F, No.9, SongGao Rd., Xinyi Dist., Taipei City 110, Taiwan
+886-2-2739-2222

United States
Medtecs USA Corporation
1390 Market Street, Suite 200, San Francisco, California 94102, USA
+1-800-829-4933

www.medtecs.com