

Meta Health Limited

(Incorporated in the Republic of Singapore)
(Company Registration 198804700N)

QUALIFIED OPINION AND MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BY AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**”) of Meta Health Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that, pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Company’s independent auditors, Foo Kon Tan LLP (“**Independent Auditors**”), have in their Independent Auditor’s Report dated 13 April 2024 (the “**Independent Auditor’s Report**”), included (i) a qualified opinion (“**Qualified Opinion**”), and (ii) a material uncertainty related to going concern, in the audited consolidated financial statements of the Group for the financial year ended 31 December 2023 (“**FY2023**”) (“**Audited Financial Statements**”).
- 1.2. The Independent Auditor’s Report, together with the Audited Financial Statements, will form part of the Company’s annual report for FY2023 (“**2023 Annual Report**”) which will be released on the SGXNet and the Company’s corporate website on 13 April 2024. Shareholders of the Company (“**Shareholders**”) are advised to read this announcement in conjunction with the 2023 Annual Report.
- 1.3. The Board is of the view that sufficient information has been disclosed for trading of the Company’s securities to continue in an orderly manner and confirmed that all material disclosures have been provided for trading of the Company’s shares to continue.
- 1.4. A copy of the Independent Auditor’s Report and an extract of the relevant Notes to the Audited Financial Statements are attached to this announcement for information.

2. THE INDEPENDENT AUDITOR’S REPORT

2.1 Qualified Opinion

In the Independent Auditors’ opinion, except for the possible effects of the matters described below, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) 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 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date:

- (a) irregularities concerning Gainhealth Pte Ltd, a wholly owned subsidiary of the Group; and
- (b) write off of certain assets and liabilities as at 31 December 2022 and as at 31 December 2021 of entities in the metal business segment of the Group.

Please refer to Note 39 and Note 40 to the Audited Financial Statements in the Company's 2023 Annual Report attached to this announcement for information on the above basis of the Qualified Opinion.

2.2 **Material Uncertainty Related to Going Concern**

As at 31 December 2023, the Group reported net liabilities of S\$493,305, and the Company reported net liabilities of S\$4,793,470 and net current liabilities of S\$7,214,567. The Group had S\$nil of available credit facilities at the reporting date. For the year ended 31 December 2023, the Group reported a loss for the year of S\$8,341,834 and net cash used in operating activities of S\$2,236,471. The Group discontinued one of its two segments, the metal business, during the current year. The aforementioned events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and the Group may not realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements. The Independent Auditors' opinion is not modified in respect of this matter.

Notwithstanding the above indications, the Audited Financial Statements have been prepared on a going concern basis on the following premises:

- (a) The Group has reached a settlement agreement with the defendants in a legal suit that the Group has brought against them (Note 39 to the Audited Financial Statements) and expects to receive cash settlement proceeds of S\$1,050,000 no later than in June 2024 and S\$286,832 no later than in December 2024.
- (b) There is already a plan put in place to reduce staff cost by cutting manpower headcount at the head office and an operating subsidiary.
- (c) A substantial shareholder of the Company has provided an undertaking to provide continuing financial support for the Company and the Group as and when required for it to meet its liabilities as at the reporting date and its normal operating expenses to be incurred up to twelve months from the date of the Audited Financial Statements.

For the avoidance of doubt, the Audited Financial Statements do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis is not appropriate.

3. **CAUTION IN TRADING**

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

By Order of the Board

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

Koh Gim Hoe
Lead Independent Non-Executive
Director

12 April 2024

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

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

The contact person for the Sponsor is Mr Alex Tan, Chief Executive Officer, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Meta Health Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

1. Irregularities concerning Gainhealth

Information regarding the irregularities concerning Gainhealth Pte Ltd ("Gainhealth"), a wholly owned subsidiary of the Group, are disclosed in Note 39 to the financial statements. The independent auditor's report for the previous financial year ended 31 December 2022, issued on 14 April 2023, had expressed a qualified opinion for which the basis was the inability to ascertain any further potential irregular transactions and any potential unrecorded liabilities at that relevant time, because the discovery of the irregularities was made only in March 2023 and the preliminary findings from the internal investigations were determined only in April 2023.

Since the discovery in April 2023, management had sought legal advice and conducted internal investigations concerning the irregularities, which included engaging with the employees, customers and suppliers of Gainhealth who were potentially involved in or who might have relevant information on the irregularities. As a result of the internal investigations now concluded, management had assessed that the losses suffered by Gainhealth, representing the excess of cash payments made to false suppliers over cash receipts collected from false customers, had amounted to \$1,289,543 which was also the damages awarded by the courts, as set out below:

	2022	2021	Total
The Group	\$	\$	\$
Reversal of sales	(4,311,694)	(110,900)	(4,422,594)
Reversal of purchases	3,256,389	–	3,256,389
Reversal of trade receivables	2,526,124	–	2,526,124
Reversal of advances to suppliers	767,518	–	767,518
Reversal of advances from customers	(837,894)	–	(837,894)
Losses from irregularities in Gainhealth, representing excess of cash payments over cash receipts	1,400,443	(110,900)	1,289,543

For the purpose of correcting the prior year's financial statements to reflect the losses from the irregularities in Gainhealth, management recorded Prior Period Adjustment A as disclosed in Note 40, which comprised, among others, bad debt write off of \$960,426 and bad debt recovered of \$586,299 that were not included in the above schedule, because management was of the view that they could not be directly attributed as losses from the irregularities in Gainhealth.

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited

Basis for Qualified Opinion (Cont'd)

1. Irregularities concerning Gainhealth (Cont'd)

We were unable to obtain sufficient appropriate audit evidence about bad debt write off amounting to \$520,958 and bad debt recovered of \$586,299 included in Prior Period Adjustment A (Note 40) because there was no listing of transactions or supporting documentation of these amounts. Therefore, we were unable to determine whether adjustments might be necessary to the financial results of the previous year ended 31 December 2022. Our audit opinion is modified because of the possible effect of this matter on the opening balances of the current year, the comparability of the current year's figures and the comparative information, and the related disclosure information about the losses from irregularities concerning Gainhealth.

2. Write off of certain assets and liabilities as at 31 December 2022 and 2021 of entities in the Metal business segment

The carrying amounts of certain assets and liabilities of the entities in the Metal business segment as at 31 December 2022 and 2021 were overstated as they were not expensed or credited into profit or loss although their related transactions had ended. Therefore, they are now written off in the respective financial periods, included in Prior Period Adjustment B as disclosed in Note 40, resulting in a net decrease of \$30,475 and \$184,077 in net loss incurred for the year ended 31 December 2022 and 2021 respectively.

We were unable to obtain sufficient appropriate audit evidence about the aforementioned assets and liabilities that were written off as part of Prior Period Adjustment B (Note 40) because there was no listing of transactions or supporting documentation of these amounts. Our audit opinion is modified because of the possible effect of this matter on the opening balances of the current year, and the comparability of the current year's figures and the comparative information.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) to the financial statements. As at 31 December 2023, the Group reported net liabilities of \$493,305, and the Company reported net liabilities of \$4,793,470 and net current liabilities of \$7,214,567. The Group had \$nil of available credit facilities at the reporting date. For the year ended 31 December 2023, the Group reported a loss for the year of \$8,341,834 and net cash used in operating activities of \$2,236,471. The Group discontinued one of its two segments, the Metal business, during the current year. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and the Group may not realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section and the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited

Key Audit Matters (Cont'd)

1. Irregularities concerning Gainhealth (Note 39)

Information regarding the irregularities concerning Gainhealth are disclosed in Note 39 to the financial statements.

In March 2023, the Company first discovered the alleged irregularities relating to certain receivables, sales and cost of sales (the "Allegations") of Gainhealth, that involved a key management personnel (the "Officer"). In April 2023, based on preliminary internal investigations, the Officer's employment was terminated with immediate effect, and the Company lodged a police report in respect of the Allegations. In May 2023, after consulting with legal counsel, the Group commenced legal proceedings against (i) the Officer; (ii) a former director of a subsidiary (the "Former Director"); and (iii) certain entities which were not part of the Group (the "Entities") (collectively, the "Defendants"), all as allegedly involved in the deceit (the "Suit") to, among others, recover the losses. The Former Director was the spouse of the Officer, and the Entities were either controlled by the Officer or by individual allegedly related to the Officer.

In September 2023, the Group obtained judgement against the Entities in the Suit arising from their respective failures to file a notice of intention to contest or not to contest the Suit. The damages and costs awarded to the Group were approximately S\$1,363,163 in aggregate. The Suit was still ongoing against the remaining defendants, including the Officer. In January 2024, the Group reached an agreement with the Officer and the Former Director to settle out of court the dispute that was the subject matter of the Suit, and the Group entered into and executed a written settlement agreement with the Officer and the Former Director (the "Settlement Agreement"). The settlement amount of approximately \$1,330,000 represented the full amount of damages that was claimed by the Group in the Suit, together with a contribution towards costs.

As a result of the internal investigations now concluded, management had assessed that the loss suffered by Gainhealth had amounted to \$1,289,543. The loss suffered by Gainhealth occurred because the cash payments made to the false suppliers exceeded the cash receipts collected from the false customers. For the purpose of correcting the prior year's financial statements to reflect the losses from the irregularities in Gainhealth, management recorded Prior Period Adjustment A as disclosed in Note 40. Since the Group entered into the Settlement Agreement with the Officer and the Former Director only in January 2024, the settlement amount of approximately \$1,330,000 had not been recognised in these financial statements because it was not virtually certain that the settlement amount would be receivable as at the reporting date. The clinic in Gainhealth ceased operations in February 2023. Subsequently Gainhealth became a dormant entity in September 2023 as all of its business activities were then wound down.

The irregularities concerning Gainhealth is determined to be a key audit matter as it is a significant event outside the normal course of business.

How the matter was addressed in the audit

We obtained an understanding of the internal investigations and assessed the appropriateness of their procedures and findings, including the irregular transactions uncovered and the corresponding adjustments made to the financial statements. We reviewed the accuracy and completeness of these adjustments by tracing to and from the source documents respectively. We also independently perused journal entries and source documents in Gainhealth by computer assisted analytics to check for any irregular transactions not uncovered by the internal investigations.

We enquired with management to understand the status of the legal proceedings. We reviewed the relevant court documents and obtained independently a representation from the Company's legal counsel to confirm our understanding. We also reviewed the Settlement Agreement to verify the terms and conditions and the settlement amount.

We communicated our risk assessment and audit responses with respect to the irregularities concerning Gainhealth to management and to those charged with governance, which also emphasised that our audit procedures differed from a specific forensic fraud investigation.

We reviewed the adequacy of the relevant disclosure information made in Note 39 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited

Key Audit Matters (Cont'd)

2. Acquisition of new subsidiary in TS Medical (Note 6(c))

On 13 March 2023, the Group acquired 100% equity interest in TS Medical (City Gate) Pte. Ltd. ("TS Medical") from an unrelated third party. The principal activities of TS Medical are those of provision of general medical and clinic services.

Details of the assets acquired and liabilities assumed, the consideration transferred, the goodwill arising, and the effects on the cash flows of the Group at the acquisition date are disclosed in Note 6(c) to the financial statements.

The consideration transferred included a deferred consideration and a contingent consideration. The deferred consideration of \$38,742 comprised the time discounted amount of two tranches of \$20,000 each payable by the Group after four months and after six months from the acquisition date respectively. The contingent consideration arrangement requires the Group to pay \$40,000 after one year from the acquisition date if TS Medical generated at least \$300,000 of revenue within twelve months from the acquisition date. The fair value of the contingent consideration payable at the acquisition date was estimated to be \$15,009 based on the present value of the expected future payment. The goodwill arising from the acquisition amounted to \$98,068.

The accounting of the business combination is a key audit matter because it involves significant judgement and estimation uncertainty in the assumptions used to determine the financial effects, including the fair value of the consideration transferred and the goodwill arising.

How the matter was addressed in the audit

We examined the sale and purchase agreement with the vendor to verify the terms and conditions of the acquisition, including the consideration transferred and the assets acquired and liabilities assumed. We also reviewed the substance of the acquisition to assess that it met the definition of a business combination.

We engaged a valuation specialist as our auditor's expert to review the methodologies, assumptions and workings in the purchase price allocation performed by management, including the estimation of the deferred consideration and the contingent consideration and the computation of the goodwill arising. We also validated the competence, capabilities and objectivity of our auditor's expert.

We reviewed the adequacy of the relevant disclosure information made in Note 6(c) to the financial statements.

3. Impairment assessment of goodwill (Note 7)

As at 31 December 2023, the carrying amount of goodwill of \$98,068 attributable to the Group's cash-generating-unit ("CGU") in TS Medical was tested for impairment. The recoverable amount of the CGU was determined based on its value-in-use ("VIU") calculation. The VIU calculation comprised a discounted cash flow ("DCF") model using cash flow projections based on financial budget prepared by management covering a five-year period with terminal value. As the carrying amount of the CGU was higher than its estimated recoverable amount, an impairment loss of \$98,068 was recognised in the year ended 31 December 2023.

Details of the impairment assessment including the key assumptions used in the VIU calculation are disclosed in Note 7 to the financial statements.

Goodwill is assessed for impairment on an annual basis. Any adverse change in the business activities of the CGU to which goodwill has been allocated, due to internal or external factors, may have an adverse effect on the recoverable amount of the CGU and may require the recognition for impairment of the goodwill.

The impairment assessment of goodwill is a key audit matter because it involves significant judgement and estimation uncertainty in the methods and assumptions used to determine the recoverable amount of the CGU that carries the goodwill.

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited

Key Audit Matters (Cont'd)

3. Impairment assessment of goodwill (Note 7)

How the matter was addressed in the audit

We reviewed the appropriateness of the determination of the CGU to which goodwill had been allocated.

We engaged a valuation specialist as our auditor's expert to review the methodologies and assumptions pertaining to the VIU calculation of the CGU prepared by management for the impairment assessment of goodwill, including the appropriateness of the DCF model, the reasonableness of the valuation inputs applied, and the accuracy of the computational processes performed. We also validated the competence, capabilities and objectivity of our auditor's expert.

We reviewed the adequacy of the relevant disclosure information made in Note 7 to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, such as the chairman's statement and the financial and operational review, 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.

As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence about the bad debt write off and bad debt recovered recorded in Prior Period Adjustment A, and the assets and liabilities that were written off as part of Prior Period Adjustment B, because there was no listing of transactions or supporting documentation of these amounts. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Meta Health Limited

Report on Other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ling Guo Leng.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 13 April 2024

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

1(a) Going concern

As at 31 December 2023, the Group reported net liabilities of \$493,305 (2022 - net assets of \$5,000,728), and the Company reported net liabilities of \$4,793,470 (2022 - net assets of \$3,051,581) and net current liabilities of \$7,214,567 (2022 - \$5,550,092). The Group had \$nil (2022 - \$nil) of available credit facilities at the reporting date. For the year ended 31 December 2023, the Group reported a loss for the year of \$8,341,834 (2022 - \$8,710,396) and net cash used in operating activities of \$2,236,471 (2022 - \$2,247,305). The Group discontinued one of its two segments, the Metal business, during the current year.

The aforementioned events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and the Group may not realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

Notwithstanding the above indications, these financial statements have been prepared on a going concern basis on the following premises:

- The Group has reached a settlement agreement with the defendants in a legal suit that the Group has brought against them (Note 39) and expects to receive cash settlement proceeds of \$1,050,000 no later than in June 2024 and \$286,832 no later than in December 2024.
- There is already a plan put in place to reduce staff cost by cutting manpower headcount at the head office and an operating subsidiary.
- A substantial shareholder has provided an undertaking to provide continuing financial support for the Company and the Group as and when required for it to meet its liabilities as at the reporting date and its normal operating expenses to be incurred up to twelve months from the date of these financial statements.

These financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis is not appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

39 Irregularities concerning Gainhealth

In March 2023, the Company first discovered the alleged irregularities relating to certain receivables, sales and cost of sales (the "Allegations") of a subsidiary, Gainhealth Pte Ltd ("Gainhealth"), while the group management team was following up on outstanding receivables and collections. The Company was made aware of two police reports on around 25 March 2023 and 27 March 2023 which had been made concerning the Allegations by two customers of Gainhealth, who claimed that the receivable balances due from and sale transactions with them were non-existent. The Allegations involved a key management personnel, who was not a director, (the "Officer") of another subsidiary, 5Digital Pte Ltd ("5Digital"), which was the intermediate holding company of Gainhealth.

In April 2023, based on preliminary internal investigations, the Company had reasonable grounds to believe that the Officer had deceived and/or sought to deceive the Company and its subsidiaries, which contravened the terms of his employment contract and his duties, and constituted gross misconduct. On 11 April 2023, the Officer's employment was terminated with immediate effect, and the Company lodged a police report in respect of the Allegations.

In May 2023, the Company had provided to the relevant investigating officer of the Singapore Police Force additional information and related materials arising from its on-going internal investigations. On 17 May 2023, after consulting with the Company's legal counsel, Gainhealth and 5Digital had commenced legal proceedings in the High Court of Singapore against (i) the Officer; (ii) a former director of a subsidiary (the "Former Director"); and (iii) certain entities which were not part of the Group (the "Entities") (collectively, the "Defendants"), all as allegedly involved in the deceit (the "Suit") to, among others, recover the losses and wrongful payments made in connection thereto which were identified in the course of the on-going internal investigations. The Former Director was the spouse of the Officer, and the Entities were either controlled by the Officer or by individual allegedly related to the Officer. The Entities would pose as a customer or a supplier respectively to engage in sale and purchase transactions with Gainhealth. These transactions only created an appearance of legitimate business substance, while in reality, they were merely exchanging the same money or assets back and forth. The loss suffered by Gainhealth occurred because the cash payments made to the false suppliers exceeded the cash receipts collected from the false customers which incidentally led to the substantial outstanding receivables as at the reporting date.

In September 2023, Gainhealth and 5Digital had obtained judgement against the Entities in the Suit arising from their respective failures to file a notice of intention to contest or not to contest the Suit (the "Judgements"). The damages and costs awarded to Gainhealth and 5Digital were approximately S\$1,363,163 in aggregate, and interest was payable on the damages of approximately S\$1,289,543 from the date the claim was filed until the date of payment at the rate of 5.33% per year. Notwithstanding the Judgements made in favour of Gainhealth and 5Digital, the Company was seeking legal advice on the appropriate course of action to take in the interest of the Group, including any enforcement of the Judgements against the Entities respectively. The Suit was still ongoing against the remaining, including the Officer.

In January 2024, Gainhealth and 5Digital had reached an agreement with the Officer and the Former Director to settle out of court the dispute that was the subject matter of the Suit (the "Settlement"). On 10 January 2024, Gainhealth and 5Digital had entered into and executed a written settlement agreement with the Officer and the Former Director (the "Settlement Agreement").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

39 Irregularities concerning Gainhealth (Cont'd)

Pursuant to the Settlement Agreement, the Officer and the Former Director had agreed, among others, to pay the agreed settlement amount to Gainhealth and 5Digital in the manner set out in the Settlement Agreement. The settlement amount represented the full amount of damages that was claimed by Gainhealth and 5Digital in the Suit, together with a contribution towards costs. The settlement amount shall be paid in two tranches, with the first tranche of approximately \$1,050,000 payable upon the completion of the sale by the Officer of his share of a certain property and the second tranche of approximately \$280,000 payable within ten calendar months thereafter or by 31 December 2024, whichever is the earlier.

Subject to the terms of the Settlement Agreement, Gainhealth and 5Digital would, among others, proceed to file a notice of discontinuance in the Suit upon receipt of the first tranche of the settlement amount from the Officer and the Former Director. Thereafter, no further action would be taken by Gainhealth and 5Digital against the Defendants in respect of the matters raised in the Suit, including any further enforcement action arising from any judgements obtained in the Suit by Gainhealth and 5Digital against the Defendants, including the Judgements. Gainhealth and 5Digital would also inform the Singapore Police Force that the Suit had been settled amicably.

If, prior to the discontinuance of the Suit, the Officer and/or the Former Director breaches any of the terms of the Settlement Agreement or default in any payments set out in the Settlement Agreement, the Officer and the Former Director shall be deemed to have irrevocably and unconditionally consented to final judgement being entered against them in the Suit, and they shall have no right to any recourse or defence against such final judgement. If, after the discontinuance of the Suit, the Officer and/or the Former Director breaches any of the terms of the Settlement Agreement or default in any payments set out in the Settlement Agreement, Gainhealth and/or 5Digital shall be entitled to commence a fresh legal action against them arising from and/or in connection with such breach. The Officer and the Former Director shall be deemed to have irrevocably and unconditionally consented to final judgement being entered against them in the fresh legal action, and they shall have no right to any recourse or defence against such final judgement.

Since the discovery in April 2023, management had sought legal advice and conducted internal investigations concerning the irregularities, which included engaging with the employees, customers and suppliers of Gainhealth who were potentially involved in or who might have relevant information on the irregularities. As a result of the internal investigations now concluded, management had assessed that the losses suffered by Gainhealth, representing the excess of cash payments made to false suppliers over cash receipts collected from false customers, had amounted to \$1,289,543 which was also the damages awarded by the courts, as set out below:

	2022	2021	Total
The Group	\$	\$	\$
Reversal of sales	(4,311,694)	(110,900)	(4,422,594)
Reversal of purchases	3,256,389	-	3,256,389
Reversal of trade receivables	2,526,124	-	2,526,124
Reversal of advances to suppliers	767,518	-	767,518
Reversal of advances from customers	(837,894)	-	(837,894)
Losses from irregularities in Gainhealth, representing excess of cash payments over cash receipts	1,400,443	(110,900)	1,289,543

Included in the above schedule was an amount of \$5,652 related to the excess of cash receipts over cash payments which had occurred during the current year. Management has deemed this amount as immaterial for adjustment purposes for the current year's financial statements.

For the purpose of correcting the prior year's financial statements to reflect the losses from the irregularities in Gainhealth, management recorded Prior Period Adjustment A as disclosed in Note 40, which comprised, among others, bad debt write off of \$960,426 and bad debt recovered of \$586,299 that were not included in the above schedule, because management was of the view that they could not be directly attributed as losses from the irregularities in Gainhealth.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

39 Irregularities concerning Gainhealth (Cont'd)

The clinic in Gainhealth ceased operations in February 2023. Subsequently Gainhealth became a dormant entity in September 2023 as all of its business activities were then wound down.

Since the Group entered into the Settlement Agreement with the Officer and the Former Director only in January 2024, the settlement amount of approximately \$1,330,000 had not been recognised in these financial statements because it was not virtually certain that the settlement amount would be receivable as at the reporting date.

40 Prior period corrections and reclassifications

Certain corrections and reclassifications have been made to the financial statements of the prior period. The nature of these corrections and reclassifications and their impact to each financial statement line item affected and for the basic and diluted earnings per share information are disclosed as follows:

	As previously reported	Adjustments		As restated
	\$	\$		\$
The Group				
<u>Consolidated statement of financial position as at 31 December 2022</u>				
Trade and other receivables	8,123,056	70,993	A	8,175,899
		(18,150)	B	
Prepayments	430,032	3,093	B	433,125
Reserves	24,397,110	(70,993)	A	24,111,565
		(214,552)	B	
Trade and other payables	8,863,057	(180,942)	B	8,682,115
Contract liabilities	172,361	(48,667)	B	123,694
<u>Consolidated statement of financial position as at 1 January 2022</u>				
Trade and other receivables	12,834,456	42	B	12,834,498
Prepayments	558,876	3,093	B	561,969
Reserves	12,828,433	(184,077)	B	12,644,356
Trade and other payables	14,123,392	(180,942)	B	13,942,450
<u>Consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2022</u>				
Continuing operations				
Revenue	11,338,673	48,667	B	11,387,340
Raw materials and consumables used	(9,510,179)	(18,192)	B	(9,528,371)
Other gains and losses	(550,494)	(374,127)	A	(924,621)
Other operating expenses	(3,779,315)	1,845,563	A	(1,933,752)
Losses from irregularities concerning a subsidiary	-	(1,400,443)	A	(1,400,443)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

40 Prior period corrections and reclassifications (Cont'd)

	As previously reported	Adjustments		As restated
	\$	\$		\$
<u>Consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2022 (Cont'd)</u>				
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
- Change in fair value of equity investment at FVOCI	(2,069,850)	2,069,850	C	-
Items that will not be reclassified subsequently to profit or loss				
- Change in fair value of equity investment at FVOCI	-	(2,069,850)	C	(2,069,850)
Loss per share attributable to owners of the Company (Singapore cent)				
Continuing and discontinued operations				
- Basic	(1.58)	0.02	A, B	(1.56)
- Diluted	(1.58)	0.02	A, B	(1.56)
Continuing operations				
- Basic	(1.34)	0.02	A, B	(1.32)
- Diluted	(1.34)	0.02	A, B	(1.32)
<u>Consolidated statement of cash flow for the financial year ended 31 December 2022</u>				
Cash flows from investing activities				
- Acquisition of non-controlling interest	(400,000)	400,000	D	-
Cash flows from financing activities				
- Acquisition of non-controlling interest	-	(400,000)	D	(400,000)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

40 Prior period corrections and reclassifications (Cont'd)

	As previously reported	Adjustments		As restated
	\$	\$		\$
The Company				
<u>Statement of financial position as at 31 December 2022</u>				
Trade and other receivables	6,662,884	(18,150)	B	2,989,445
		(3,655,289)	E	
Prepayments	58,601	3,093	B	61,694
Reserves	22,243,546	(214,552)	B	26,123,006
		3,655,289	E	
		438,723	F	
Trade and other payables	6,671,967	(180,942)	B	6,929,748
		438,723	F	
Contract liabilities	51,492	(48,667)	B	2,825
<u>Statement of financial position as at 1 January 2022</u>				
Trade and other receivables	10,731,598	42	B	8,630,545
		(2,101,095)	E	
Prepayments	123,711	3,093	B	126,804
Reserves	11,122,335	(184,077)	B	13,039,353
		2,101,095	E	
Trade and other payables	10,517,682	(180,942)	B	10,336,740

Prior Period Adjustments:

- A. The corrections to the prior year's financial statements to reflect the losses from the irregularities in Gainhealth comprise mainly among others:
- (i) Recognition for bad debt write off of \$520,958 and bad debt recovered of \$586,299 in "other gains and losses";
 - (ii) Reclassification for bad debt write off of \$439,468 from "other operating expenses" to "other gains and losses"; and
 - (iii) Reclassification for expenses of \$1,406,095 from "other operating expenses" to "losses from irregularities concerning a subsidiary".
- B. The carrying amounts of certain assets and liabilities of the entities in the Metal business segment as at 31 December 2022 and 2021 were overstated as they were not expensed or credited into profit or loss although their related transactions had ended. Therefore, they are now written off in the respective financial periods, resulting in a net decrease of \$30,475 and \$184,077 in net loss incurred for the year ended 31 December 2022 and 2021 respectively.
- C. In the other comprehensive income section, the change in fair value of equity investment at FVOCI of \$2,069,850 was previously classified incorrectly under "items that may be reclassified subsequently to profit or loss", and is now reclassified under "items that will not be reclassified subsequently to profit or loss".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

40 Prior period corrections and reclassifications (Cont'd)

Prior Period Adjustments: (Cont'd)

- D. The cash outflow from acquisition of non-controlling interest of \$400,000 was previously classified incorrectly under "cash flows from investing activities", and is now reclassified under "cash flows from financing activities".
- E. The expected credit losses for a non-trade receivable due from a subsidiary as at 31 December 2022 and 2021 had previously omitted an allowance of \$1,554,194 and \$2,101,095 respectively, and are now corrected.
- F. The expected credit losses for a corporate guarantee issued by the Company to banks for the borrowings of a subsidiary as at 31 December 2022 had previously omitted an allowance of \$438,723, and is now corrected.