

# 2021 FINANCIAL STATEMENT



**Multi Water Holdings Ltd**  
Company Registration No. 201723246Z

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**Multi Water Holdings Ltd.  
and its subsidiaries  
Registration Number: 201723246Z**

Annual Report  
Year ended 31 December 2021

## **Directors' Statement**

We submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2021.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS44 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore; and
- (b) at the date of this statement, the Board of Directors recognises that the company is facing a going concern issue.

The Board is working on the following possible sources of fund injections: -

- i) Private fund raising
- ii) Rights issues
- iii) Continuing the major shareholder/director loans as per Note 25

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

## **Directors**

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

Lum Ooi Lin  
Lim Sau Hoong  
Chong Chiet Ping  
Lung Wen Zheng (Alternate director to Lum Ooi Lin)

## Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 ("the Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Direct interest		Deemed interest	
	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
<b>The Company</b>				
<u>Ordinary Shares</u>				
Lum Ooi Lin	112,932,476	112,932,476	34,095,074	34,095,074
Lim Sau Hoong	1,157,895	1,157,895	—	—
Chong Chiet Ping	1,157,895	1,157,895	—	—
<b>The Company</b>				
<u>Preference Shares</u>				
Lum Ooi Lin	—	—	20,000,000	20,000,000

By virtue of Section 7 of the Act, Lum Ooi Lin is deemed to have interests in the subsidiaries of the Company, at the beginning and at the end of the financial year.

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

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 objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Share Options

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

## **Auditors**

The retiring auditors, KPMG LLP, will not be seeking re-appointment.

On behalf of the Board of Directors



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**LIM Sau Hoong**  
*Director*



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**LUNG Wen Zheng**  
*Alternate Director*

12 September 2022



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## Independent auditors' report

Members of the Company  
Multi Water Holdings Ltd.

### Report on the audit of the financial statements

#### *Disclaimer of opinion*

We were engaged to audit the financial statements of Multi Water Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS44.

We do not express an opinion on the accompanying consolidated financial statements of the Group or the statement of financial position of the Company. Because of the significance of the matters described in the "*Basis for disclaimer of opinion*" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### *Basis for disclaimer of opinion*

We draw attention to Note 2 to the financial statements. We have considered the adequacy of the disclosures made in the financial statements concerning the ability of the Group and the Company to continue in operation in the foreseeable future and to meet their obligations (both short term and long term) as and when they fall due which are dependant mainly on:

- the Group's ability to secure financing as and when required including from its shareholders and related parties; or
- the profitability of future operation of the Group and the Group's ability to generate sufficient operating cash inflows for the next twelve months to cover its operating costs; and/or
- the Group has no intention to cease its operation.

The Group incurred a net loss of \$1,123,637 (2020: \$2,696,991), and recorded net operating cash outflows of \$1,214,437 (2020: \$1,598,461) and overall net cash outflows of \$945,010 (2020: \$4,176,337) for the year ended 31 December 2021. As at that date, the Group and Company had net current liabilities and net liabilities of \$2,707,248 and \$1,997,330 (2020: \$1,671,886 and \$144,919), respectively. The Group is also not expecting to generate net positive operating cashflow in the next 12 months.

Subsequent to year end, the Company obtained additional loans from its director and major shareholder as set out in Note 25. However, the additional loans obtained were not sufficient to cover the deficits in working capital and total equity. As at the date of the financial statements, there were no further plans by the Group and Company to resolve its liquidity problems.

As a result of the above, the Group and the Company have prepared their financial statements on a non-going concern basis since the financial period ended 31 December 2018.

In view of the above matters, we were unable to obtain sufficient appropriate audit evidence over the ability of the Group and the Company to continue in operation for the foreseeable future and to meet their financial obligations (both short term and long term) as and when they fall due. We are therefore unable to determine whether any adjustments might be necessary to the amounts and disclosures shown in the financial statements as at and for the year ended 31 December 2021.

#### *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 FRSs, 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.

#### *Auditors' responsibilities for the audit of the financial statements*

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing and to issue an auditors' report. However, because of the matters described in the '*Basis for disclaimer of opinion*' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *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.





**Report on other legal and regulatory requirements**

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

A handwritten signature in blue ink, appearing to read 'KPMG LLP' followed by a stylized flourish.

**KPMG LLP**  
*Public Accountants and  
Chartered Accountants*

**Singapore**  
12 September 2022

**Statements of financial position  
As at 31 December 2021**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>					
Subsidiaries	5	—	—	—	—
Property, plant and equipment	6	—	—	—	—
Intangible assets	7	—	—	—	—
Associate	9	—	—	—	—
Long-term receivables	10	—	—	—	—
Inventories	11	93,041	280,994	—	—
Trade and other receivables	12	486,603	956,458	20,597	32,605
Cash and cash equivalents		2,555,251	3,587,156	118,712	900,136
<b>Total current assets</b>		<b>3,134,895</b>	<b>4,824,608</b>	<b>139,309</b>	<b>932,741</b>
<b>Equity</b>					
Share capital	15	46,932,563	46,932,563	46,932,563	46,932,563
Reserves	16	(37,646,620)	(36,706,524)	(48,929,893)	(47,077,482)
Non-controlling interests	8	(11,993,191)	(11,897,925)	—	—
<b>Total deficit</b>		<b>(2,707,248)</b>	<b>(1,671,886)</b>	<b>(1,997,330)</b>	<b>(144,919)</b>
<b>Liabilities</b>					
Trade and other payables	13	3,547,241	3,593,361	1,136,639	1,077,660
Lease liabilities	24	1,287,994	2,903,133	—	—
Shareholder's loans	14	1,000,000	—	1,000,000	—
Current tax liabilities		6,908	—	—	—
<b>Total current liabilities</b>		<b>5,842,143</b>	<b>6,496,494</b>	<b>2,136,639</b>	<b>1,077,660</b>
<b>Net current liabilities</b>		<b>(2,707,248)</b>	<b>(1,671,886)</b>	<b>(1,997,330)</b>	<b>(144,919)</b>

The accompanying notes form an integral part of these financial statements.

**Consolidated statement of profit or loss and other comprehensive income  
Year ended 31 December 2021**

	Note	Group 2021 \$	2020 \$
Revenue	17	2,858,200	3,208,885
Other income	18	1,181,176	808,097
Raw materials and consumables		(516,703)	(1,531,035)
Staff costs	19	(3,086,565)	(3,562,544)
Other expenses		(1,542,447)	(1,501,468)
Finance cost		(15,676)	(118,926)
<b>Loss before tax</b>		(1,122,015)	(2,696,991)
Tax expense	21	(1,622)	–
<b>Loss for the year</b>	20	(1,123,637)	(2,696,991)
<b>Loss attributable to:</b>			
Owners of the company		(1,021,295)	(2,264,050)
Non-controlling interests		(102,342)	(432,941)
<b>Loss for the year</b>		(1,123,637)	(2,696,991)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences - foreign operations		88,275	110,066
<b>Other comprehensive income for the year, net of tax</b>		88,275	110,066
<b>Total comprehensive income for the year</b>		(1,035,362)	(2,586,925)
<b>Total comprehensive income attributed to:</b>			
Owners of the company		(940,096)	(2,161,415)
Non-controlling interests		(95,266)	(425,510)
<b>Total comprehensive income for the year</b>		(1,035,362)	(2,586,925)

The accompanying notes form an integral part of these financial statements.

**Consolidated statement of changes in equity  
Year ended 31 December 2021**

	<b>Attributable to owners of the Company</b>			
	<b>Share capital \$</b>	<b>Translation reserve \$</b>	<b>Accumulated losses \$</b>	<b>Non-controlling interests \$</b>
<b>Group</b>				
At 1 January 2020	46,932,563	759,503	(35,304,612)	(11,472,415)
			12,387,454	915,039
<b>Total comprehensive income for the year</b>				
Loss for the year	–	–	(2,264,050)	(432,941)
<b>Other comprehensive income</b>				
Foreign currency translation differences	–	102,635	–	7,431
<b>Total other comprehensive income</b>	–	102,635	–	7,431
<b>Total comprehensive income for the year</b>	–	102,635	(2,264,050)	(425,510)
<b>At 31 December 2020</b>	46,932,563	862,138	(37,568,662)	(11,897,925)
			10,226,039	(1,671,886)

The accompanying notes form an integral part of these financial statements.

**Consolidated statement of changes in equity (cont'd)  
Year ended 31 December 2021**

	<b>Attributable to owners of the Company</b>				
	<b>Share capital \$</b>	<b>Translation reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total \$</b>	<b>Non-controlling interests \$</b>
<b>Group</b>					
At 1 January 2021	46,932,563	862,138	(37,568,662)	10,226,039	(11,897,925)
					(1,671,886)
<b>Total comprehensive income for the year</b>					
Loss for the year	–	–	(1,021,295)	(1,021,295)	(102,342)
<b>Other comprehensive income</b>					
Foreign currency translation differences	–	81,199	–	81,199	7,076
<b>Total other comprehensive income</b>	–	81,199	–	81,199	7,076
<b>Total comprehensive income for the year</b>	–	81,199	(1,021,295)	(940,096)	(95,266)
					(1,035,362)
<b>At 31 December 2021</b>	<b>46,932,563</b>	<b>943,337</b>	<b>(38,589,957)</b>	<b>9,285,943</b>	<b>(11,993,191)</b>
					<b>(2,707,248)</b>

The accompanying notes form an integral part of these financial statements.

**Consolidated statement of cash flows  
Year ended 31 December 2021**

	Note	Group 2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Loss for the year		(1,123,637)	(2,696,991)
Adjustments for:			
Tax expense		1,622	–
Interest income	18	(5,938)	(12,092)
Gain on de-recognition of right-of-use asset	18	(56,934)	–
(Net reversal of impairment loss)/Impairment loss on property, plant and equipment		(861,379)	94,837
Impairment loss on intangible assets	20	24,216	–
Write back of provision for stock obsolescence	20	(84,983)	(309,455)
Impairment loss on trade receivables	20	–	25,468
Bad debt expenses	20	47,282	–
Interest expense		15,676	118,926
		<u>(2,044,075)</u>	<u>(2,779,307)</u>
Changes in:			
Inventories		274,773	1,276,166
Trade and other receivables		425,292	142,753
Trade and other payables		176,494	(63,303)
Contract liabilities		(55,020)	(174,770)
Cash used in operations		<u>(1,222,536)</u>	<u>(1,598,461)</u>
Interest paid		(207)	–
Tax paid		8,306	–
<b>Net cash used in operating activities</b>		<u>(1,214,437)</u>	<u>(1,598,461)</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(69,055)	(94,837)
Acquisition of intangible assets		(24,216)	–
Interest received		5,938	12,092
<b>Net cash used in investing activities</b>		<u>(87,333)</u>	<u>(82,745)</u>
<b>Cash flows from financing activities</b>			
Proceeds from/(Repayment of) shareholder's loans		1,000,000	(1,300,000)
Payment of lease liabilities		(627,771)	(1,076,205)
Interest paid		(15,469)	(118,926)
<b>Net cash from/(used in) financing activities</b>		<u>356,760</u>	<u>(2,495,131)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(945,010)</u>	<u>(4,176,337)</u>
Cash and cash equivalents at 1 January		3,587,156	7,869,671
Effect of exchange rate fluctuations on cash held		(86,895)	(106,178)
<b>Cash and cash equivalents at 31 December</b>		<u><u>2,555,251</u></u>	<u><u>3,587,156</u></u>

The accompanying notes form an integral part of these financial statements.

## **Notes to the Financial Statements**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 12 September 2022.

### **1 Domicile and Activities**

Multi Water Holdings Ltd. (the “Company”) is incorporated in the Republic of Singapore. The address of the Company’s registered office is 1 Tuas Loop, Singapore 637336.

The consolidated financial statements of the Group as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”), and the Group’s interest in an equity-accounted investee.

The principal activity of the Company is that of an investment holding company. The Group is primarily involved in the sale and manufacture of drinking water, soaking water, skin care products, bath treatment packages and filtration systems.

### **2 Going Concern**

The Group incurred a net loss of \$1,123,637 (2020: \$2,696,991), and recorded net operating cash outflows of \$1,214,437 (2020: \$1,598,461) and overall net cash outflows of \$945,010 (2020: \$4,176,337) for the year ended 31 December 2021. As at that date, the Group and Company had net current liabilities and net liabilities of \$2,707,248 and \$1,997,330, respectively. The Group is also not expecting to generate net positive operating cashflow in the next 12 months. Subsequent to year end, the Company obtained additional loans from its director and major shareholder as set out in Note 25. However, the loans obtained were not sufficient to cover the deficits in working capital and total equity. As at the date of the financial statements, there were no further plans by the Group and Company to resolve its liquidity problems. Due to these matters described and the absence of readily available sources of funding, the directors and management have prepared the financial statements on a non-going concern basis.

The ability of the Group and the Company to continue in operation in the foreseeable future and to meet their financial obligations (both short term and long term) as and when they fall due is dependent mainly on:

- (i) the Group’s ability to secure financing as and when required including from its shareholders and related parties; or
- (ii) the profitability of future operation of the Group and the Group’s ability to generate sufficient operating cash inflows for the next twelve months to cover its operating costs; and/or
- (iii) the Group has no intention to cease its operation.

As a result of the above, the Group and the Company have prepared their financial statements on a non-going concern basis since the financial period ended 31 December 2018.

The carrying value of the assets as at 31 December 2021 and 31 December 2020 are presented at the lower of carrying amount or the estimated net realisable values and all liabilities are presented at estimated settlement amounts.

### **3 Basis of Preparation**

#### **3.1 Statement of compliance**

The financial statements have been prepared in accordance with Financial Reporting Standards (“FRSs”). The changes to significant accounting policies are described in note 3.5.

#### **3.2 Basis of measurement**

The financial statements have been prepared on a non-going concern basis and, all assets and liabilities are classified as current. The carrying value of the Group’s and the Company’s assets are presented at the lower of their carrying amounts or their estimated recoverable amounts and all liabilities are presented at their estimated settlement amounts.

#### **3.3 Functional and presentation currency**

These financial statements are presented in Singapore dollars, which is the Company’s functional currency.

#### **3.4 Use of estimates and judgements**

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 2 – material uncertainties on the Group’s and the Company’s ability to continue as a going concern;
- Note 5 – impairment of investments in subsidiaries;
- Note 6 – impairment of property, plant and equipment;
- Note 7 – impairment of intangible assets; and
- Note 22 – recoverability of trade and other receivables.



### 3.5 Changes in accounting policies

#### **New standards and amendments**

The Group has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2021:

- *COVID-19-Related Rent Concessions (Amendments to FRS 116)*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to FRS 109, FRS 39 and FRS 107, FRS 104 and FRS 116)*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

## 4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

### 4.1 Basis of consolidation

#### ***Business combinations***

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any NCI in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSS.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

### **Acquisitions from entities under common control**

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

### ***Loss of control***

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### ***Investments in associates (equity-accounted investees)***

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence, commences until the date that significant influence ceases.

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

#### ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### ***Subsidiaries and associates in the separate financial statements***

Investments in subsidiaries and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

## **4.2 Foreign currency**

### **Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. However, foreign currency differences arising on translation are generally recognised in profit or loss.

### **Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

#### 4.3 Financial instruments

##### (i) Recognition and initial measurement

###### **Non-derivative financial assets and financial liabilities**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, or minus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### (ii) Classification and subsequent measurement

###### **Non-derivative financial assets**

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

### ***Financial assets at amortised cost***

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### **Financial assets: Business model assessment**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

### **Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principals and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

#### **Non-derivative financial assets: Classification, subsequent measurement and gains and losses**

##### ***Financial assets at amortised cost***

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### **Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost. These financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

### **(iii) Derecognition**

#### **Financial assets**

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred;
  - or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

#### **Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**(iv) Offsetting**

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

**(v) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances.

**(vi) Share capital**

***Ordinary shares***

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issuance of ordinary shares are accounted for as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with FRS12.

***Preference share capital***

Preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

**4.4 Leases**

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

**As a lessee**

At commencement or on modification of a contract that contains a lease component, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



## 4.5 Impairment

### (i) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

#### *Simplified approach*

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

#### *General approach*

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

### ***Measurement of ECLs***

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

### ***Credit-impaired financial assets***

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

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

### ***Presentation of allowance for ECLs in the statement of financial position***

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

### ***Write-off***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

## **(ii) Associates**

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

## **(iii) Non-financial assets**

The carrying amounts of the Group’s non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (“CGU”) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

## **4.6 Property, plant and equipment**

### **(i) Recognition and measurement**

Items of property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

**(ii) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

• Leasehold building	5 years
• Leasehold improvements	2 - 3 years
• Motor vehicles	3 years
• Computers and software	3 years
• Office equipment	5 years
• Machinery equipment	5 years
• Furniture and fittings	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

**4.7 Intangible assets**

**(i) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

**(ii) Other intangible assets**

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

**(iii) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognised in profit or loss as incurred.

**(iv) Amortisation**

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current period are as follows:

- |                          |          |
|--------------------------|----------|
| • Licensing fees         | 10 years |
| • Trademarks             | 10 years |
| • Proprietary technology | 10 years |
| • Development costs      | 8 years  |

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

**4.8 Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of raw materials is principally based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress and finished goods, the use of standard costing includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**4.9 Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as rendered by employees in profit or loss in the periods during which related services are rendered by employee.

**(ii) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**4.10 Revenue**

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (“PO”) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO.

**4.11 Government grants**

Grants that compensate the Group for expenses incurred are recognised in profit or loss as ‘other income’ on a systematic basis in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

**4.12 Finance cost**

Interest expense is recognised in profit or loss using the effective interest method.

**4.13 Interest income**

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

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

#### 4.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under *FRS 37 Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivables is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and;
- temporary differences related to interests in subsidiaries and associates to the extent that the Group is able to control the timing of reversal of the temporary difference and that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

#### 4.15 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *FRS 117 Insurance Contracts and Amendments to FRS 117 Insurance Contracts*
- *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to FRS 116)*
- *Reference to the Conceptual Framework (Amendments to FRS 103)*
- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to FRS 16)*
- *Onerous Contracts – Costs of Fulfilling a Contract (Amendments to FRS 37)*
- *Classification of Liabilities as Current or Non-current (Amendments to FRS 1)*
- *Annual Improvements to FRSs 2018 – 2020*
- *Disclosure of Accounting Policies (Amendments to FRS 1 and FRS Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to FRS 8)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to FRS 12)*



## 5 Subsidiaries

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Equity investments, at cost	7,203,357	7,203,357
Less: Accumulated impairment loss	(7,203,357)	(7,203,357)
	<u>—</u>	<u>—</u>

Details of the subsidiaries are as follows:

<b>Names of subsidiaries</b>	<b>Principal place of business/Country of incorporation</b>	<b>Ownership interests</b>	
		<b>2021</b>	<b>2020</b>
		<b>%</b>	<b>%</b>
<b>Held by the Company</b>			
Elo Living Pte. Ltd.	Singapore	100	100
Elomart Pte. Ltd.	Singapore	100	100
Elo Commercial Trade (Shanghai) Co., Ltd.	Shanghai	100	100
Elowater Malaysia Sdn. Bhd.	Malaysia	100	100
Hyfluxshop Hong Kong Limited	Hong Kong	100	100
Elomart Australia Pty Ltd	Australia	100	100
Elo Water Pte. Ltd.	Singapore	70	70
Elomart Taiwan Limited	Taiwan	60	60
<b>Held by subsidiaries</b>			
Hyflux Lifestyle Products (India) Private Limited	India	100*	100
Elo Siloam Pte. Ltd.	Singapore	70	70

\* In the process of being liquidated

In the prior year, the Company recognised impairment loss on investments in subsidiaries of \$1,542,610 as the subsidiaries continued to incur operating losses and management assessed the recoverable amounts of the subsidiaries to be nil which is arrived based on the net assets of these subsidiaries. As the subsidiaries continued to incur operating losses during the year, no reversal of impairment losses has been recognised.

### Sources of estimation uncertainty

The Company maintains impairment losses considered adequate to provide for potential non-recoverability of the equity investments in subsidiaries. The level of allowance is evaluated on the basis of factors that affect the recoverability of the investments in subsidiaries. These factors include, but are not limited to, the activities and financial positions of the entities and market conditions. The Company reviews and identifies balances that are to be impaired on a regular basis. The amount and timing of recorded expenses for any period would differ if there are changes in judgement or utilised different estimates. An increase in impairment losses would increase the Company's losses and decrease the carrying value of the investments in subsidiaries.

## 6 Property, Plant and Equipment

Group	Leasehold building \$	Leasehold improvements \$	Motor vehicle \$	Machinery equipment \$	Office equipment \$	Computers and software \$	Furniture and fittings \$	Construction- in-progress \$	Total \$
<b>Cost</b>									
At 1 January 2020	4,762,017	2,531,841	48,493	3,383,640	453,719	778,497	333,873	84,135	12,376,215
Additions	–	91,550	–	3,287	–	–	–	–	94,837
At 31 December 2020	4,762,017	2,623,391	48,493	3,386,927	453,719	778,497	333,873	84,135	12,471,052
Additions	85,476	61,915	33,427	–	–	7,140	–	–	187,958
Disposal	(2,425,949)	–	–	–	–	–	–	(73,028)	(2,498,977)
At 31 December 2021	2,421,544	2,685,306	81,920	3,386,927	453,719	785,637	333,873	11,107	10,160,033
<b>Accumulated depreciation and impairment losses</b>									
At 1 January 2020	(4,762,017)	(2,531,841)	(48,493)	(3,383,640)	(453,719)	(778,497)	(333,873)	(84,135)	(12,376,215)
Impairment loss	–	(91,550)	–	(3,287)	–	–	–	–	(94,837)
At 31 December 2020	(4,762,017)	(2,623,391)	(48,493)	(3,386,927)	(453,719)	(778,497)	(333,873)	(84,135)	(12,471,052)
Reversal of impairment loss/(Impairment loss)	963,861	(61,915)	(33,427)	–	–	(7,140)	–	–	861,379
Disposal	1,376,612	–	–	–	–	–	–	73,028	1,449,640
At 31 December 2021	(2,421,544)	(2,685,306)	(81,920)	(3,386,927)	(453,719)	(785,637)	(333,873)	(11,107)	(10,160,033)
<b>Carrying amounts</b>									
At 1 January 2020,	–	–	–	–	–	–	–	–	–
31 December 2020 and 31 December 2021	–	–	–	–	–	–	–	–	–

At the reporting date, the net carrying amount of right-of-use assets presented in property, plant and equipment amounted to nil (2020: nil).

## Impairment loss

In 2021, the Group closed its bath facility and retail shop located at Belvedere Close in the Republic of Singapore due to the continuing impact of Covid-19 which disrupted its retail activities. Following the closure of its bath facility and retail shop, the Group terminated its lease of the premises. As a result, the Group de-recognised its right-of-use asset classified as leasehold building and reversed \$1,049,337 of the accumulated impairment losses. For the remaining property, plant and equipment, the Group has recognised impairment losses of \$187,958 (2020: \$94,837) as the Group continued to incur operating losses and the value in use of these property, plant and equipment remains uncertain.

## 7 Intangible Assets

	Licensing fees \$	Trademarks \$	Proprietary technology \$	Development costs \$	Total \$
<b>Group</b>					
<b>Cost</b>					
At 1 January and 31 December 2020	75,975	701,235	244,676	512,318	1,534,204
Additions	–	24,216	–	–	24,216
At 31 December 2021	<u>75,975</u>	<u>725,451</u>	<u>244,676</u>	<u>512,318</u>	<u>1,558,420</u>
<b>Accumulated amortisation and impairment losses</b>					
At 1 January and 31 December 2020	(75,975)	(701,235)	(244,676)	(512,318)	(1,534,204)
Impairment loss	–	(24,216)	–	–	(24,216)
At 31 December 2021	<u>(75,975)</u>	<u>(725,451)</u>	<u>(244,676)</u>	<u>(512,318)</u>	<u>(1,558,420)</u>
<b>Carrying amounts</b>					
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
					<b>Trademarks \$</b>
<b>Company</b>					
<b>Cost</b>					
At 1 January and 31 December 2020					–
Additions					<u>24,216</u>
At 31 December 2021					<u>24,216</u>
<b>Accumulated amortisation and impairment losses</b>					
At 1 January and 31 December 2020					–
Impairment loss					<u>(24,216)</u>
At 31 December 2021					<u>(24,216)</u>
<b>Carrying amounts</b>					
At 1 January 2020, 31 December 2020 and 31 December 2021					<u>–</u>

## Impairment loss

The impairment on intangible assets was made as the Group and Company continued to incur operating losses and the future cash flow from the utilisation of these intangible assets remains uncertain. Accordingly, the Group and the Company have recognised impairment losses on intangible assets of \$24,216 and \$24,216 (2020: nil and nil) respectively.

## 8 Non-controlling Interests

The following subsidiaries have non-controlling interests ("NCI") that are material to the Group.

Names of subsidiaries	Principal place of business/Country of incorporation	Ownership interests held by NCI	
		2021	2020
		%	%
Elo Water Pte. Ltd.	Singapore	30	30
Elo Siloam Pte. Ltd.	Singapore	30	30
Elomart Taiwan Limited	Taiwan	40	40

The following summarised financial information for the above subsidiaries prepared in accordance with FRS.

	Elo Water Pte. Ltd. \$	Elo Siloam Pte. Ltd. \$	Elomart Taiwan Limited \$	Total \$
<b>31 December 2021</b>				
Revenue	522,643	181,405	101,580	
(Loss)/profit for the year	(1,411,198)	1,032,950	27,830	
OCI	—	—	17,690	
<b>Total comprehensive income</b>	<b>(1,411,198)</b>	<b>1,032,950</b>	<b>45,520</b>	
Attributable to NCI:				
- (Loss)/Profit	(423,359)	309,885	11,132	(102,342)
- OCI	—	—	7,076	7,076
<b>- Total comprehensive income</b>	<b>(423,359)</b>	<b>309,885</b>	<b>18,208</b>	<b>(95,266)</b>
Current assets	538,061	217,103	598,514	
Current liabilities	(36,834,410)	(4,650,764)	(33,983)	
<b>Net (liabilities)/assets</b>	<b>(36,296,349)</b>	<b>(4,433,661)</b>	<b>564,531</b>	
<b>Net (liabilities)/assets attributable to NCI</b>	<b>(10,888,905)</b>	<b>(1,330,098)</b>	<b>225,812</b>	<b>(11,993,191)</b>

	<b>Elo Water Pte. Ltd. \$</b>	<b>Elo Siloam Pte. Ltd. \$</b>	<b>Elomart Taiwan Limited \$</b>	<b>Total \$</b>
<b>31 December 2020</b>				
Revenue	1,441,215	5	85,200	
(Loss)/Profit for the year	(1,476,892)	(14,697)	36,341	
OCI	—	—	18,577	
<b>Total comprehensive income</b>			<b>54,918</b>	
Attributable to NCI:				
- (Loss)/Profit	(443,068)	(4,409)	14,536	(432,941)
- OCI	—	—	7,431	7,431
<b>- Total comprehensive income</b>	<b>(443,068)</b>	<b>(4,409)</b>	<b>21,967</b>	<b>(425,510)</b>
Current assets	664,445	216,729	521,081	
Current liabilities	(35,549,596)	(5,683,343)	(2,070)	
<b>Net (liabilities)/assets</b>	<b>(34,885,151)</b>	<b>(5,466,614)</b>	<b>519,011</b>	
<b>Net (liabilities)/assets attributable to NCI</b>	<b>(10,465,545)</b>	<b>(1,639,984)</b>	<b>207,604</b>	<b>(11,897,925)</b>

	<b>Elo Water Pte. Ltd. \$</b>	<b>Elo Siloam Pte. Ltd. \$</b>	<b>Elomart Taiwan Limited \$</b>
<b>31 December 2021</b>			
Cash flows from operating activities	471,163	27,371	60,219
Cash flows used in investing activities	(33,427)	—	—
Cash flows used in financing activities	(462,405)	(50,888)	—
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(24,669)</b>	<b>(23,517)</b>	<b>60,219</b>
<b>31 December 2020</b>			
Cash flows from operating activities	869,983	447,047	10,608
Cash flows used in investing activities	(542,129)	—	—
Cash flows used in financing activities	(286,803)	(610,656)	—
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>41,051</b>	<b>(163,609)</b>	<b>10,608</b>

## 9 Associate

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interests in associate	10,931,338	10,931,338	10,987,000	10,987,000
Less: Accumulated impairment losses	(10,931,338)	(10,931,338)	(10,987,000)	(10,987,000)
	—	—	—	—

The Group holds 30% (2020: 30%) of the voting rights in Kaqun Europe Kereskedelmi (“Kaqun”). The principal place of business/country of incorporation of the associate is Hungary and its principal activities are retail sales of drinking water and beauty products.

The following summarises the financial information of the Group’s associate based on its financial statements prepared in accordance with FRS.

	<b>Kaqun</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Revenue	42,023	8,943
<b>Profit/(loss) from continuing operations</b>	2,057	(314,557)
<b>Total comprehensive income</b>	2,057	(314,557)
Attributable to investee’s shareholders	2,057	(314,557)
Non-current assets	2,228,459	2,276,825
Current assets	6,485,209	7,079,482
Current liabilities	(365,130)	(408,806)
<b>Net assets</b>	8,348,538	8,947,501
Attributable to investee’s shareholders	8,348,538	8,947,501
<b>Group’s interest in net assets of investee at beginning of the year</b>	—	—
Group’s share of:		
- profit/(loss) from continuing operations	—	—
- total comprehensive income	—	—
Carrying amount of interest in associate	10,931,338	10,931,338
Less: Impairment loss recognised on the carrying amount of interest in associate	(10,931,338)	(10,931,338)
<b>Carrying amount of interest in investee at end of the year</b>	—	—

### Unrecognised share of losses

The Group has not equity accounted for the results of Kaqun’s profit for the year of \$617 (2020: loss of \$94,367) since the Group’s investment in the associate has been fully written down and the Group has an accumulated share of unrecognised losses of \$207,848 (2020: \$208,465).

## 10 Long-term Receivables

The long-term receivables due from subsidiaries amounting to \$21,666,250 (2020: \$21,666,250), bear interest at rates ranging from 5.2 % to 6.3 % (2020: 5.2% to 6.3%) per annum, have a fixed term of repayment of 5 years and are not expected to be repaid within the next 12 months. As these amounts are, in substance, a part of the entity's net interest in the subsidiaries, they are stated at cost less impairment.

In the prior years, the Company had made a full impairment of the long-term receivables due from subsidiaries as the amount recoverable from these subsidiaries remains uncertain.

## 11 Inventories

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Raw materials and consumables	498,701	571,527
Finished goods	558,762	758,872
	<u>1,057,463</u>	<u>1,330,399</u>
Less: Provision for stock obsolescence	(964,422)	(1,049,405)
	<u>93,041</u>	<u>280,994</u>

Inventories of \$333,794 (2020: \$846,524) were recognised as an expense during the year and included in "raw materials and consumables" in the consolidated statement of profit or loss and other comprehensive income.

## 12 Trade and Other Receivables

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade receivables	81,826	294,588	—	—
Less: Impairment loss on trade receivables	(25,468)	(25,468)	—	—
	<u>56,358</u>	<u>269,120</u>	<u>—</u>	<u>—</u>
Amounts due from related parties				
- Trade	1,018	1,018	—	—
- Non-trade	236	236	957	—
Other receivables and deposits	229,960	464,500	—	16,457
	<u>287,572</u>	<u>734,874</u>	<u>957</u>	<u>16,457</u>
Current tax receivable	13,592	—	—	—
Prepayments	185,439	221,584	19,640	16,148
	<u>486,603</u>	<u>956,458</u>	<u>20,597</u>	<u>32,605</u>

Non-trade amounts due from related parties are unsecured, interest-free and are repayable on demand.

Information about the Group's and the Company's exposures to credit risk and impairment losses related to trade and other receivables are included in Note 22.

## 13 Trade and Other Payables

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade payables	533,782	865,290	158,375	143,362
Other payables and accruals	669,285	523,966	230,565	186,662
Amounts due to:				
- Subsidiaries (Non-trade)	—	—	50,835	25,437
- Related parties (Trade)	10,728	10,728	—	—
- Related parties (Non-trade)	2,096,493	1,899,322	696,864	722,199
Contract liabilities	236,953	294,055	—	—
	<u>3,547,241</u>	<u>3,593,361</u>	<u>1,136,639</u>	<u>1,077,660</u>

Non-trade amounts due to subsidiaries and related parties are non-trade, unsecured, interest-free and repayable on demand.

Information about the Group's and the Company's exposures to liquidity risk related to trade and other payables are included in Note 22.

## 14 Shareholder's Loans

The shareholder's loans are interest free and unsecured. In the agreement, there was no fixed repayment terms nor did it have a predetermined final maturity date.

## 15 Share Capital

	<b>Company</b>			
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>No. of</b>	<b>No. of</b>	<b>No. of</b>	<b>No. of</b>
	<b>ordinary</b>	<b>ordinary</b>	<b>preference</b>	<b>preference</b>
	<b>shares</b>	<b>shares</b>	<b>shares</b>	<b>shares</b>
In issue at 1 January and 31 December	187,506,416	187,506,416	20,000,000	20,000,000



## Ordinary shares

All ordinary shares rank equally with regard to the Company's residual assets. All ordinary shares issued are fully paid, with no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

## Non-convertible non-voting preference shares

The holder of preference shares are entitled to cumulative dividends payable semi-annually, at the discretion of the Company and are redeemable at the option of the Company. They are ranked above the ordinary shares but are not entitled to attend and vote at General Meetings.

## 16 Reserves

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Accumulated losses	(38,589,957)	(37,568,662)	(48,929,893)	(47,077,482)
Translation reserve	943,337	862,138	—	—
	<u>(37,646,620)</u>	<u>(36,706,524)</u>	<u>(48,929,893)</u>	<u>(47,077,482)</u>

### *Translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 17 Revenue

	Group	
	2021	2020
	\$	\$
Sales of goods	2,829,502	3,175,533
Service income	28,698	33,352
	<u>2,858,200</u>	<u>3,208,885</u>

The following table provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

<b>Nature of goods or services</b>	The Group manufactures and sells drinking water, skin care products, bath treatment packages and filtration systems.
<b>When revenue is recognised</b>	<p><b>Revenue from retail sales</b> Revenue is recognised when control of goods have been transferred to the customer, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.</p> <p><b>Revenue from sales of bath packages</b> Revenue is recognised when the customer has utilised the bath package. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.</p>
<b>Significant payment terms</b>	Majority of the sales are upon cash on delivery and cash payment upon confirmation of the sales or bath package. For contract sales of filtration system, it is based on milestone billings and payment terms ranges between 30 to 90 days.
<b>Obligations for returns and refunds, if any</b>	Refunds are only applicable to packages signed for baths and it is usually done in exchange for products and cash refund is only applicable to demise of subscribers.

#### Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Primary geographical markets</b>		
Singapore	2,271,643	2,527,435
Malaysia	449,915	530,196
China and Taiwan	104,866	89,593
Hong Kong	21,175	31,604
Others	10,601	30,057
	<u>2,858,200</u>	<u>3,208,885</u>

## Contract balances

The following table provides information about trade receivables and contract liabilities with customers:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	56,358	269,120
Contract liabilities	(236,953)	(294,055)

The contract liabilities relate to advance consideration received from customers for sales of drinking water and bath packages.

The Group applies the practical expedient in paragraph 121 of FRS 115 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognise revenue in that amount.

## 18 Other Income

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Interest income	5,938	12,092
Grant income	151,691	677,913
Other income	105,234	118,092
Gain on termination of lease	56,934	—
Reversal of impairment loss on property, plant and equipment (net)	861,379	—
	<u>1,181,176</u>	<u>808,097</u>

## 19 Staff Costs

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Salaries and bonuses	2,679,923	3,020,117
Contributions to defined contribution plans	210,529	267,092
Other personnel expenses	196,113	275,335
	<u>3,086,565</u>	<u>3,562,544</u>

## 20 Loss For the Year

The following items have been included in arriving at loss for the year:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Impairment loss on property, plant and equipment	–	94,837
Impairment loss on intangible assets	24,216	–
Write back of provision for stock obsolescence	(84,983)	(309,455)
Impairment loss on trade receivables	–	25,468
Bad debt expenses	47,282	–
Rental expenses	33,397	16,469
Marketing expenses	486,503	425,445
Research and development expenses	84,235	7,825
License fee	–	1,173
Utilities charges	93,582	105,749

## 21 Tax Expense

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Reconciliation of effective tax rate</i>		
Loss before tax	(1,122,015)	(2,696,991)
Tax using the Singapore tax rate of 17% (2020: 17%)	(190,743)	(458,489)
Effect of different tax rates in foreign jurisdictions	(56,075)	(18,464)
Non-deductible expenses	389,522	335,862
Unrecognised deferred tax assets	93,031	233,205
Tax exempt income	(217,216)	(92,114)
Tax incentives and rebates	(16,897)	–
	1,622	–

### *Unrecognised deferred tax assets*

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Tax losses	14,770,347	14,223,106

### ***Tax losses carried forward***

Tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

## **22 Financial Instruments**

### **Financial risk management**

#### ***Overview***

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

#### ***Risk management framework***

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

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

#### ***Credit risk***

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables and cash and cash equivalents.

The carrying amounts of financial assets in the statements of financial position represents the Group's and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of their financial assets.

Impairment loss on financial assets recognised in profit or loss were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Impairment loss on trade receivables	—	25,468	—	—

*Exposure to credit risk*

The exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

	<b>Carrying amount Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Singapore	213,977	644,585
Malaysia	21,522	28,562
China and Taiwan	48,820	56,332
Hong Kong	584	577
Others	2,669	4,818
	287,572	734,874

***Trade receivables***

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the country in which customers reside, as these factors may have an influence on credit risk. Details of concentration of revenue are included in Note 17.

The Group has a credit policy in place which ensures that it only enters into transactions with customers of good credit standing, taking into account past experience with the customers. The Group also establishes credit terms for the customers and monitors balances on an ongoing basis.

The Group limits its exposure to credit risk from trade receivables as majority of the sales are upon cash delivery for individual and corporate customers respectively. However, for contract sales, they are based on milestone billings with credit terms between 30 to 90 days.

The Group does not require collateral in respect of trade receivables. The Group does not have trade receivables for which no loss allowance is recognised because of collateral.

*Expected credit loss assessment*

The Group uses an allowance matrix to measure the lifetime ECLs of trade receivables, which comprise large value of homogenous customers. The following table provides information about the exposure to credit risk and ECLs for trade receivables:

	Expected loss rate	Gross carrying amount \$	Impairment loss \$	Net carrying amount \$
<b>31 December 2021</b>				
Not past due	0%	7,031	—	7,031
More than 90 days past due	0%	49,327	—	49,327
More than 90 days past due (credit-impaired)	100%	25,468	(25,468)	—
		<u>81,826</u>	<u>(25,468)</u>	<u>56,358</u>
<b>31 December 2020</b>				
Not past due	0%	25,423	—	25,423
1 – 30 days past due	0%	90,600	—	90,600
31 – 60 days past due	0%	58,814	—	58,814
61 – 90 days past due	0%	13,894	—	13,894
More than 90 days past due	0%	80,389	—	80,389
More than 90 days past due (credit-impaired)	100%	25,468	(25,468)	—
		<u>294,588</u>	<u>(25,468)</u>	<u>269,120</u>

#### ***Amounts due from related parties***

Amounts due from related parties are unsecured, interest-free and repayable on demand.

Impairment on amounts due from related parties has been measured on the 12-month expected loss basis.

#### ***Long-term receivables - due from subsidiaries***

The ability of the subsidiaries to repay the amounts outstanding is dependent on the financial support that the subsidiaries received from the Company.

The Company's ability to provide the subsidiaries the necessary financial support is dependent on the ability of the Group and the Company to continue in operation in the foreseeable future as per Note 2. As the outcome cannot be established, the valuations of the amounts due from subsidiaries are subject to significant uncertainties. The Company has fully impaired its long-term receivables due from subsidiaries as per Note 10.

#### ***Other receivables and deposits***

The Group and Company have other receivables and deposits of \$229,960 and nil respectively (2020: \$464,500 and \$16,457). Other receivables and deposits relate mainly to rental deposits placed with lessors. The amount of the allowance on other receivables and deposits was insignificant.

#### ***Cash and cash equivalents***

The Group and the Company held cash and cash equivalents of \$2,555,251 and \$118,712 respectively as at 31 December 2021 (2020: \$3,587,156 and \$900,136), which represent their maximum credit exposures on these assets. Cash and cash equivalents are held with banks and financial institutions which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group and the Company consider that their cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance of cash and cash equivalents is negligible.

### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Funding from its shareholders has been available for financing its operations. As described in Note 2, the Group's and the Company's ability to meet these obligations is dependent mainly on the Group's ability to source financing as and when required including from its shareholder and related parties and the profitability of future operation of the Group and the Group's ability to generate sufficient operating cash inflows for the next twelve months to cover its operating costs.

### *Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

		<b>Cash flows</b>		
	<b>Carrying amount \$</b>	<b>Contractual cash flows \$</b>	<b>Within 1 year or less \$</b>	<b>Between 2 – 5 years \$</b>
<b>Group</b>				
<b>31 December 2021</b>				
<b>Non-derivative financial liabilities</b>				
Lease liabilities	1,287,994	(1,331,184)	(565,139)	(766,045)
Trade and other payables*	3,310,288	(3,310,288)	(3,310,288)	–
Shareholder's loans	1,000,000	(1,000,000)	(1,000,000)	–
	<b>5,598,282</b>	<b>(5,641,472)</b>	<b>(4,875,427)</b>	<b>(766,045)</b>
<b>31 December 2020</b>				
<b>Non-derivative financial liabilities</b>				
Lease liabilities	2,903,133	(3,027,929)	(1,111,048)	(1,916,881)
Trade and other payables*	3,299,306	(3,299,306)	(3,299,306)	–
	<b>6,202,439</b>	<b>(6,327,235)</b>	<b>(4,410,354)</b>	<b>(1,916,881)</b>
<b>Company</b>				
<b>31 December 2021</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	1,136,639	(1,136,639)	(1,136,639)	–
<b>31 December 2020</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	1,077,660	(1,077,660)	(1,077,660)	–

\* Excludes contract liabilities



The maturity analyses show the contractual undiscounted cash flows of the Group's and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

It is not expected that the cash flows included in the maturity analyses could occur significantly earlier, or at significantly different amounts.

### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is not exposed to any significant foreign currency and interest rate risks.

### **Capital management**

The Board of the Group Directors sets and monitors the capital management of the Group. Capital consists of the total equity. As disclosed in Note 2, the Group is not regarded as a going concern. As such, its approach to capital management is focused on maintaining an adequate amount of liquidity for the operations of the Group.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### **Accounting classifications and fair values**

The Group and the Company have not disclosed the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	<b>Financial assets at amortised cost \$</b>	<b>Other financial liabilities \$</b>	<b>Total \$</b>
<b>Group</b>			
<b>31 December 2021</b>			
<b>Financial assets not measured at fair value</b>			
Trade and other receivables*	287,572	–	287,572
Cash and cash equivalents	2,555,251	–	2,555,251
	<u>2,842,823</u>	<u>–</u>	<u>2,842,823</u>
<b>Financial liability not measured at fair value</b>			
Trade and other payables <sup>#</sup>	–	(3,310,288)	(3,310,288)
Shareholder's loans	–	(1,000,000)	(1,000,000)
	<u>–</u>	<u>(4,310,288)</u>	<u>(4,310,288)</u>

	<b>Financial assets at amortised cost \$</b>	<b>Other financial liabilities \$</b>	<b>Total \$</b>
<b>Group</b>			
<b>31 December 2020</b>			
<b>Financial assets not measured at fair value</b>			
Trade and other receivables*	734,874	–	734,874
Cash and cash equivalents	3,587,156	–	3,587,156
	<u>4,322,030</u>	<u>–</u>	<u>4,322,030</u>
<b>Financial liability not measured at fair value</b>			
Trade and other payables <sup>#</sup>	–	(3,299,306)	(3,299,306)
	<u>–</u>	<u>(3,299,306)</u>	<u>(3,299,306)</u>
<b>Company</b>			
<b>31 December 2021</b>			
<b>Financial assets not measured at fair value</b>			
Trade and other receivables*	957	–	957
Cash and cash equivalents	118,712	–	118,712
	<u>119,669</u>	<u>–</u>	<u>119,669</u>
<b>Financial liability not measured at fair value</b>			
Trade and other payables	–	(1,136,639)	(1,136,639)
	<u>–</u>	<u>(1,136,639)</u>	<u>(1,136,639)</u>
<b>31 December 2020</b>			
<b>Financial assets not measured at fair value</b>			
Trade and other receivables*	16,457	–	16,457
Cash and cash equivalents	900,136	–	900,136
	<u>916,593</u>	<u>–</u>	<u>916,593</u>
<b>Financial liability not measured at fair value</b>			
Trade and other payables	–	(1,077,660)	(1,077,660)
	<u>–</u>	<u>(1,077,660)</u>	<u>(1,077,660)</u>

\* Excludes prepayments and current tax receivable

<sup>#</sup> Excludes contract liabilities

## 23 Related Parties

Key management personnel compensation comprises:

	<b>Group 2021 \$</b>	<b>2020 \$</b>
Directors' fees	80,000	80,000
Short-term employee benefits	1,022,322	760,746
Post-employment benefits	51,276	33,816
	<u>1,153,598</u>	<u>874,562</u>

### **Other related party transactions**

Other than as disclosed elsewhere in the financial statements, significant transactions carried out in the normal course of business on terms agreed with related parties of the Group are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Related parties</b>		
- Purchase of goods	—	24,618
- Sales of goods	—	1,114
- Rental and utilities	—	53,153
	<hr/>	<hr/>
<b>Associate</b>		
- Royalty fee	—	9,512
	<hr/>	<hr/>

## **24 Leases**

The Group has lease contracts for a factory and warehouse facility as well as a bath therapy and retail shop (Note 6: closed during the year) which are classified as property leases and leases of motor vehicles. These leases typically run for a period of 3 to 5 years, with options to renew the leases after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

### **Right-of-use assets**

Right-of-use assets related to property leases and leases of motor vehicles are presented as property, plant and equipment (see Note 6).

### **Extension options**

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liabilities of \$2,709,164 (2020: \$3,706,860).

***Terms and debt repayment schedule***

Terms and conditions of outstanding lease liabilities are as follows:

	<b>Year of maturity</b>	<b>Face value \$</b>	<b>Carrying amount \$</b>
<b>Group</b>			
<b>31 December 2021</b>			
Lease liabilities	2023 – 2024	1,331,184	1,287,994

<b>31 December 2020</b>			
Lease liabilities	2021 – 2024	3,027,929	2,903,133

**Reconciliation of movements of liabilities to cash flows arising from financing activities**

	<b>Lease liabilities \$</b>	<b>Shareholder's loans \$</b>	<b>Total \$</b>
<b>Group</b>			
<b>Balance at 1 January 2020</b>	3,979,338	1,300,000	5,279,338
<b>Changes from financing cash flows</b>			
Repayment of shareholder's loan	–	(1,300,000)	(1,300,000)
Payment of lease liabilities	(1,076,205)	–	(1,076,205)
Interest paid	(109,444)	–	(109,444)
<b>Total changes from financing cash flows</b>	<b>(1,185,649)</b>	<b>(1,300,000)</b>	<b>(2,485,649)</b>
<b>Other change</b>			
Interest expense	109,444	–	109,444
<b>Balance at 31 December 2020</b>	<b>2,903,133</b>	<b>–</b>	<b>2,903,133</b>
<b>Balance at 1 January 2021</b>	<b>2,903,133</b>	<b>–</b>	<b>2,903,133</b>
<b>Changes from financing cash flows</b>			
Proceeds from shareholder's loans	–	1,000,000	1,000,000
Payment of lease liabilities	(627,771)	–	(627,771)
Interest paid	(15,469)	–	(15,469)
<b>Total changes from financing cash flows</b>	<b>(643,240)</b>	<b>1,000,000</b>	<b>356,760</b>
<b>Other changes</b>			
New leases	118,903	–	118,903
Termination of leases	(1,106,271)	–	(1,106,271)
Interest expense	15,469	–	15,469
<b>Total other changes</b>	<b>(971,899)</b>	<b>–</b>	<b>(971,899)</b>
<b>Balance at 31 December 2021</b>	<b>1,287,994</b>	<b>1,000,000</b>	<b>2,287,994</b>

## **25 Subsequent event**

Subsequent to year end, a Director and the major shareholder of the Company extended additional five term loan facilities of a total of \$1,000,000 to the Company. These loans are interest free and unsecured. In the loan agreements, there was no fixed repayment terms nor did it have a predetermined final maturity date.