FINANCIAL STATEMENT 2022

MULTI WATER HOLDINGS LTD.
Company Registration No. 201723246Z

Multi Water Holdings Ltd.
And Its Subsidiaries
[UEN. 201723246Z]
[Incorporated in the Republic of Singapore]

AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2022

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Fiducia LLP
(UEN. T10LL0955L)
Public Accountants and
Chartered Accountants of Singapore

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Singapore 408571
T: (65) 6846.8376
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DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of **Multi Water Holdings Ltd.** (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2022.

In the opinion of the directors,

a) the financial statements of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2022, and the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

b) at the date of this statement, the Board of Directors recognises that the Company is facing going a concern issue.

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

(i) Private fund raising; and/or
(ii) Rights issues; and/ or
(iii) Continuing the financing from the major shareholder as disclosed in Note 20 and Note 30.

Directors

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

Lim Sau Hoong
Chong Chiet Ping
Lung Wen Zheng (Appointed on 15.09.2022)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interest in shares or debentures

According to the register of directors' shareholdings kept by the Company for the purposes of Section 164 of the Companies Act 1967 (the "Act"), the directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations, except as follows:

	Holding registered in name of director		Holding in which a director is deemed to have an interest	
Name of director and corporation in which interests are held	At 31.12.2022	At 01.01.2022	At 31.12.2022	At 01.01.2022
<u>The Company</u>				
Number of ordinary shares, fully paid				
Lim Sau Hoong	1,157,895	1,157,895	0	0
Chong Chiet Ping	1,157,895	1,157,895	0	0

DIRECTORS' STATEMENT (CONT'D)

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company or any related corporation.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or any related corporation.

There were no unissued shares of the Company or any related corporation under option at the end of the financial year.

Independent Auditor

The independent auditor, Messrs. Fiducia LLP, Public Accountants and Chartered Accountants of Singapore has expressed its willingness to accept re-appointment.

For and on behalf of the Board of Directors,

Lim Sau Hoong Director	Lung Wen Zheng Director

Singapore, 4 July 2023.

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Independent auditor's report to the members of:

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Report on the Audit of the Financial Statements

Disclaimer of Opinion

We have audited 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 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements 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 2.1 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 its 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 shareholder and related parties; and/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 S$1,437,341 (2021: S$1,123,637), and recorded net operating cash outflows of S$1,838,784 (2021: S$1,245,271) and overall cash outflows of S$642,698 (2021: S$975,844) for the year ended 31 December 2022. As at that date, the Group and Company had net current liabilities and net liabilities of S$4,143,542 and S$3,752,629 (2021: S$2,707,248 and S$1,997,330), respectively. The Group and the Company is also not expecting to generate net positive operating cash flow in the next 12 months.

Subsequent to year end, the Company obtained additional loans from its major shareholder as disclosed in Note 30. However, the additional loans obtained were not sufficient to cover the deficits in working capital and total equity. As at the date of these 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 has prepared its financial statements on a non-going concern basis since the financial period ended 31 December 2018.

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(CONT'D)

Independent auditor's report to the members of:

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Basis for Disclaimer of Opinion (Cont'd)

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 adjustment might be necessary to the amounts and disclosures shown in the financial statements as at and for year ended 31 December 2022.

Other Matters

The financial statements for the financial year ended 31 December 2021 were audited by a firm of auditors other than Messrs. Fiducia LLP who expressed a disclaimer opinion on those statements on 12 September 2022.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements on accordance with Singapore Standard 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 Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

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Independent auditor's report to the members of:

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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.

Fiducia Llp

Fiducia LLP
Public Accountants and
Chartered Accountants

Singapore, 4 July 2023.

Partner-in-charge: Gan Chek Huat
PAB. No.: 01939

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 S$	Group 2021 S$ (Restated)
REVENUE	4	2,423,322	2,858,200
LESS: DIRECT COSTS			
Cost of sales	5	(140,829)	(516,703)
GROSS PROFIT		2,282,493	2,341,497
ADD: OTHER INCOME	6	79,946	1,181,176
LESS: OPERATING EXPENSES			
Administrative and other expenses		(3,772,778)	(4,629,012)
Finance costs		(27,002)	(15,676)
		(3,799,780)	(4,644,688)
LOSS BEFORE INCOME TAX	7	(1,437,341)	(1,122,015)
Income tax expense	8	0	(1,622)
LOSS AFTER INCOME TAX		(1,437,341)	(1,123,637)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
- Currency translation differences arising from consolidation		1,047	88,275
TOTAL COMPREHENSIVE INCOME		(1,436,294)	(1,035,362)
LOSS ATTRIBUTABLE TO:			
Equity holders of the company		(1,230,241)	(1,072,841)
Non-controlling interests		(207,100)	(50,796)
		(1,437,341)	(1,123,637)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the company		(1,205,168)	(991,642)
Non-controlling interests		(231,126)	(43,720)
		(1,436,294)	(1,035,362)

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022 S$	2021 S$ (Restated)	2022 S$	2021 S$
ASSETS					
Current assets					
Cash and cash equivalents	9	2,113,688	2,555,251	4,464	118,712
Trade and other receivables	10	580,647	486,603	9,923	20,597
Inventories	11	277,792	93,041	0	0
Long term receivables	12	0	0	0	0
Investment in a subsidiaries	13	0	0	0	0
Investment in associate	14	0	0	0	0
Property, plant and equipment	15	0	0	0	0
Intangible assets	17	0	0	0	0
Total current assets		2,972,127	3,134,895	14,387	139,309
LIABILITIES					
Current liabilities					
Trade and other payables	18	3,604,478	3,547,241	1,007,016	1,136,639
Lease liabilities	19	751,134	1,287,994	0	0
Shareholder's loan	20	2,760,000	1,000,000	2,760,000	1,000,000
Current income tax liabilities	8	57	6,908	0	0
Total current liabilities		7,115,669	5,842,143	3,767,016	2,136,639
NET LIABILITIES		(4,143,542)	(2,707,248)	(3,752,629)	(1,997,330)
EQUITY					
Share capital	21	46,932,563	46,932,563	46,932,563	46,932,563
Reserve	22	(38,903,334)	(37,698,166)	(50,685,192)	(48,929,893)
		8,029,229	9,234,397	(3,752,629)	(1,997,330)
Non-controlling interest		(12,172,771)	(11,941,645)	0	0
TOTAL EQUITY - DEFICIT		(4,143,542)	(2,707,248)	(3,752,629)	(1,997,330)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Attributable to equity holders of the Company					
	Share capital S$	Translation reserves S$	Accumulated losses S$	Total S$	Non-controlling interest S$	Total equity S$
2022						
Balance at beginning of financial year	46,932,563	943,337	(38,641,503)	9,234,397	(11,941,645)	(2,707,248)
Total comprehensive income	0	0	(1,230,241)	(1,230,241)	(207,100)	(1,437,341)
Other comprehensive income						
- Foreign currency translation differences	0	25,073	0	25,073	(24,026)	1,047
Balance at end of financial year	46,932,563	968,410	(39,871,744)	8,029,229	(12,172,771)	(4,143,542)

	Attributable to equity holders of the Company					
	Share capital S$	Translation reserves S$	Accumulated losses S$	Total S$	Non-controlling interest S$	Total equity S$
2021						
Balance at beginning of financial year	46,932,563	862,138	(37,568,662)	10,226,039	(11,897,925)	(1,671,886)
Total comprehensive income						
- Net profit for the year	0	0	(1,021,295)	(1,021,295)	(102,342)	(1,123,637)
- Currency translation differences arising from consolidation	0	81,199	0	81,199	7,076	88,275
Balance at end of financial year, as previously reported	46,932,563	943,337	(38,589,957)	9,285,943	(11,993,191)	(2,707,248)
Restatement (Note 32)	0	0	(51,546)	(51,546)	51,546	0
Balance at end of financial year, as restated	46,932,563	943,337	(38,641,503)	9,234,397	(11,941,645)	(2,707,248)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 S$	Group 2021 S$
Cash flows from operating activities			
Loss before income tax		(1,437,341)	(1,122,015)
Adjustment for:			
- Interest income		(5,412)	(5,938)
- Impairment loss on property, plant and equipment		5,464	187,958
- Impairment loss on intangible assets		0	24,216
- Loss from disposal of property, plant and equipment		0	(1,106,271)
- Written back of provision for stock obsolescence		0	(84,983)
- Bad debt expenses		1,252	47,282
- Interest expense		27,002	15,676
- Unrealised forex		(200,088)	144,336
Operating profit before changes in working capital		(1,609,123)	(1,899,739)
Changes in working capital			
- Inventories		(184,751)	272,936
- Trade and other receivables		(8,315)	422,573
- Trade and other payables		(642,164)	(10,705)
- Amount due to related parties		484,046	20,419
- Contract liabilities		128,374	(55,834)
Cash generated from/ (used in) operations		(1,831,933)	(1,250,350)
Interest paid		0	(207)
Tax Paid		(6,851)	5,286
Net cash generated from/ (used in) operating activities		(1,838,784)	(1,245,271)
Cash flows from investing activities			
Acquisition of property, plant, and equipment		(5,464)	(69,055)
Acquisition of intangible assets		0	(24,216)
Interest received		5,412	5,938
Net cash used in investing activities		(52)	(87,333)
Cash flow from financing activities			
Proceeds from/ (Repayment of) shareholder's loans		1,760,000	1,000,000
Payment of lease liabilities		(536,860)	(627,771)
Interest paid		(27,002)	(15,469)
Net cash generated from financing activities		1,196,138	356,760
Net increase/ (decrease) in cash and cash equivalents		(642,698)	(975,844)
Cash and cash equivalents at beginning of financial year		2,555,251	3,587,156
Effects of currency translation on cash and cash equivalents		201,135	(56,061)
Cash and cash equivalents at end of financial year	9	2,113,688	2,555,251

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The Company is incorporated and domiciled in Singapore. The Company's registered office and principal place of business is located at 1 Tuas Loop, Singapore 637336.

The Consolidated financial statements of the Group as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"), and Group's interest in an equity-accounted investee.

The principal activities 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. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ("FRSs"), under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore Dollar ("S$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The Group incurred a net loss of S$1,437,341 (2021: S$1,123,637), and recorded net operating cash outflows of S$1,838,784 (2021: S$1,245,271) and overall cash outflows of S$642,698 (2021: S$975,844) for the year ended 31 December 2022. As at that date, the Group and Company had net current liabilities and net liabilities of S$4,143,542 and S$3,752,629 (2021: S$2,707,248 and S$1,997,330), respectively. The Group and the Company is also not expecting to generate net positive operating cash flow in the next 12 months.

Subsequent to year end, the Company obtained additional loans from its major shareholder as disclosed in Note 31. However the loans obtained were not sufficient to cover the deficits in working capital and total equity. As the date of these 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 these 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 meet their financial obligation (both short term and long term) as and when they fall due is dependent mainly on:

- The Group's ability to secure financing as and when required including from its shareholder and related parties; and/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.

2. Significant accounting policies

2.1 Basis of preparation (Cont'd)

As a result from the above, 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 2022 and 31 December 2021 are presented at the lower of carrying amount or the estimated net realisable values and all liabilities are presented at estimated settlement amounts.

Interpretations and amendments to published standards effective in 2022

In the current financial year, the Group adopted the new or revised FRSs and Interpretations to FRSs ("INT FRSs") that are relevant and mandatory to its operations and effective on 1 January 2022. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs and INT FRSs.

The adoption of these new or amended FRSs and INT FRSs did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Standards issued but not yet effective

The Group has not adopted the following relevant new/revised FRSs, INT FRSs and amendments to FRSs that were issued but not yet effective:

Descriptions	**Effective for annual periods beginning on or after**
Amendments to: - FRS 1 : Disclosure of Accounting Policies - FRS 8 : Definition of Accounting Estimates - FRS 12 : Deferred tax related to Assets and Liabilities arising from a single transaction	1 January 2023
Amendments to: - FRS 1 : Classification of Liabilities as Current or Non-current - FRS 116 : Lease Liability in a Sale and leaseback - FRS 1 : Non-current Liabilities with Covenants	1 January 2024
Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The directors expect that the adoption of the revised standards and interpretations will have no material impact on the financial statements in the period of initial application.

2. Significant accounting policies (Cont'd)

2.2 Revenue recognition

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

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

2.2.1 Revenue from retail sales

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.

2.2.2 Revenue from sales of bath packages

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 discounted is recognised as reduction of revenue as the sales are recognised.

2.2.3 Interest income

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

The "effective interest rate" is the rate that exactly discount estimate future cash payments or receipts through the expected life of the financial statement to:

- The gross carrying amount of the financial asset: or
- The amortised cost of the financial liabilities

In calculating interest income and expenses, 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 revers to the gross basis.

2.2.4 Other income

Other income is recognised when earned.

2.3 Government grants

Grants from the government are recognised as receivable at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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

2. Significant accounting policies (Cont'd)

2.4 Cost and expenses recognition

All expenses are accounted for on accrual basis, aggregated under the respective areas. Direct costs are attributed to the activity where possible. Where costs are not wholly attributable to an activity, they are apportioned on a basis consistent with the use of resources.

2.5 Group accounting

2.5.1 Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisition

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

2. Significant accounting policies (Cont'd)

2.5 Group accounting (Cont'd)

2.5.1 Subsidiaries (Cont'd)

(ii) Acquisition

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

2.5.2 Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.5.3 Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but no exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

2. Significant accounting policies (Cont'd)

2.5 Group accounting (Cont'd)

2.5.3 Associated companies (Cont'd)

(i) Acquisition

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated companies over the Group's share of the fair value of the identifiable net assets of the associated companies and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated companies, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated companies. If the associated companies subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company includes any long-term loans for which settlement is never planned or likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated companies is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

2.6 Investment in subsidiaries and associated companies

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

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but no exceeding 50%.

2. Significant accounting policies (Cont'd)

2.6 Investment in subsidiaries and associated companies (Cont'd)

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

In the Company's separate financial statements, investment in subsidiaries and associated companies are accounted for at cost less impairment losses.

2.7 Property, plant and equipment

2.7.1 Measurement

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal and restoration is included as a consequence of acquiring or using the property, plant and equipment.

2.7.2 Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold building	5 years
Leasehold improvements	2- 3 years
Motor Vehicles	3 years
Computer and software	3 years
Office equipment	5 years
Machinery equipment	5 years
Furniture and fittings	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

2.7.3 Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in consolidated statement of comprehensive income when incurred.

2.7.4 Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss. Any amount in revaluation reserve relating to that asset is transferred to retained profits directly.

2. Significant accounting policies (Cont'd)

2.8 Intangible assets

2.8.1 Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

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

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

2.8.2 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 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 Company 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.

2.8.3 Other intangible assets

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

2.8.4 Subsequent expenditure

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

2. Significant accounting policies (Cont'd)

2.8 Intangible assets (Cont'd)

2.8.5 Amortisation

Amortisation is calculated based on the cost of 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:

	Useful lives
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.

2.9 Impairment of non-financial assets

2.9.1 Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2.9.2 Property, plant and equipment, intangible assets, investments in subsidiaries and associated companies

Property, plant and equipment, intangible assets, investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

2. Significant accounting policies (Cont'd)

2.9 Impairment of non-financial assets (Cont'd)

2.9.2 Property, plant and equipment, intangible assets, investments in subsidiaries and associated companies (Cont'd)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less applicable variable selling expenses. Cost is determined using the weighted average basis. Costs include all cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.11 Financial assets

(a) Classification and measurement

The Group classifies its financial assets into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

<u>At initial recognition</u>

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

2. Significant accounting policies (Cont'd)

2.11 Financial assets (Cont'd)

(a) Classification and measurement (Cont'd)

<u>At subsequent measurement</u>

(i) Debt instruments (Cont'd)

Debt instruments of the Group mainly comprise of "Cash and cash equivalent", "Trade and other receivables" and "Long term receivables".

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains and losses".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applied the simplified approach permitted by the FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For cash and cash equivalents and other receivables, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

2. Significant accounting policies (Cont'd)

2.11 Financial assets (Cont'd)

(c) Recognition and derecognition (Cont'd)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank, Wise, Stripe, Paypal accounts and fixed deposits with financial institutions and short-term highly liquid investments that are readily convertible to a known amount of cash, which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.13 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual agreements of the instrument and are classified according to the substance of the contractual arrangements entered into. All interest related charges are recognised in profit or loss. Financial liabilities include "Trade and other payables", "Lease liabilities" and "Shareholder's loans".

Financial liabilities which are due to be settled within 12 months after the reporting date are presented as current liabilities in the statement of financial position even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue. Other financial liabilities due to be settled more than 12 months after the reporting date are presented as non-current liabilities in the statement of financial position.

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

2. Significant accounting policies (Cont'd)

2.15 Trade and other payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

Other payables excluding accruals, are recognised at their transaction price, excluding transaction cost, if any, both at initial recognition and at subsequent measurement. Transaction costs are recognised as expenditure in the statement of comprehensive income as incurred. Accruals are recognised at the best estimate of the amount payable.

2.16 Leases

At the inception of the contract, the Group assess if the contract contains a lease. A contract 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. Reassessment is only required when the terms and conditions of the contract are changed.

<u>When the Group is the lessee:</u>

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

- Right-of-use assets

  The Group recognised a right-of-use asset and lease liabilities at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted of any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.9. Right-of-use assets are presented within "Property, plant and equipment" as disclosed in Note 15.

- Lease liabilities

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

2. Significant accounting policies (Cont'd)

2.16 Leases (Cont'd)

When the Group is the lessee: (Cont'd)

- Lease liabilities (Cont'd)

  Lease payments include the following:

  - Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
  - Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
  - Amount expected to be payable under residual value guarantees;
  - The exercise price of a purchase option if is reasonably certain to exercise the option; and Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

  In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

  For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property lease and account these as one single lease component.

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  - There is a change in future lease payments arising from changes in an index or rate;
  - There is a changes in the Group's assessment of whether it will exercise an extension option; or
  - There is modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to 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's lease liabilities are disclosed in Note 19.

- Short-term and low-value leases

  The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease term of 12 months or less from the commencement date and do not contain a purchase option and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

  Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

2. Significant accounting policies (Cont'd)

2.17 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.18 Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings, including lease liabilities, are initially recognised at fair values (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.19 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. Borrowing costs may include interest in respect of lease liabilities recognised in accordance with FRS 116.

2.20 Employee compensation

2.20.1 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund ("CPF"), employee's provident funds, on a mandatory, contractual or voluntary basis. The Company or Group has no further payment obligations once the contributions have been paid. The Company's or Group's contribution to defined contribution plans are recognised as employee compensation expense when they are due.

2.20.2 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

2. Significant accounting policies (Cont'd)

2.21 Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

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

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2. Significant accounting policies (Cont'd)

2.22 Currency translation

2.22.1 Functional and presentation currency

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

2.22.2 Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance costs". All other foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2.22.3 Translation of Group entities' financial statements

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

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2. Significant accounting policies (Cont'd)

2.23 Share capital

Ordinary shares

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

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 Company's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

2.24 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Where the possibility of an outflow of resources is not remote, the Group shall disclose for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, where practicable:

a) an estimate of its financial effect;
b) an indication of the uncertainties relating to the amount or timing of any outflow; and
c) the possibility of any reimbursement.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefit is probable.

2.25 Events occurring after the reporting period

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

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1.1 Provision for expected credit losses (ECL) of trade and other receivables

The provision is based on the Group's historical observed default rates and will adjust historical credit loss experience with forward-looking information. The provision are based on days past due for groupings of various customer segments that have similar loss patterns. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

3.1.2 Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group has recognised impairment losses on property, plant and equipment of S$5,464 (2021: S$187,958) as the Group continued to incur operating losses and the value in use of these property, plant and equipment remain uncertainty.

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 remain uncertain. Accordingly, the Group and the Company have recognised impairment loss of S$NIL and S$NIL (2021: S$24,216 and S$24,216) respectively.

3.1.3 Impairment of investment in subsidiaries and associated companies

Non-financial assets are reviewed for impairment whenever there is any indication that the assets are impaired. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the assets is estimated to determine the impairment loss. The key assumptions for the value in use calculation are those regarding the growth rates, and expected change to selling price and direct costs during the financial year and a suitable discount rate.

As disclosed in the Note 13 and Note 14 to the financial statements, the Company maintains impairment losses considered adequate to provide for potential non-recoverability of the equity investments in subsidiaries and associated companies. The level of allowance is evaluated on the basis of factors that affect the recoverability of the investment in subsidiaries and associated companies. These factors include, but are not limited to, the activities and financial positions of the entities and market conditions.

3. Critical accounting estimates, assumptions and judgements (Cont'd)

3.1 Critical accounting estimates and assumptions (Cont'd)

3.1.3 Impairment of investment in subsidiaries and associated companies (Cont'd)

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 investment in subsidiaries and associated companies.

3.1.4 Inventory valuation method

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines. The realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available and inherently involves estimates regarding the future expected realisable value. The carrying amount of the Group's inventories was disclosed in Note 11.

3.2 Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, the management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

3.2.1 Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

3.2.2 Critical judgement over the lease term

As at 31 December 2022, the Group's lease liabilities, which are measured with reference to the estimates of the lease terms, amounted to S$751,134 (2021: S$1,287,994), The Group has estimated that the potential future lease payments, should it exercise the extension option, would results in an increase in lease liabilities of S$NIL (31 December 2021: S$2,709,164). Extension option is included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all the facts and circumstances that create an economic incentive to exercise the extension option.

For leases of office space, the Group typically includes the extension option with the following factors being considered:

- the leasehold improvement is expected to have a significant remaining value or
- premise is located in strategic location that will contribute to the continued profitability of the Company.

3. Critical accounting estimates, assumptions and judgements (Cont'd)

3.2 Critical judgements in applying the entity's accounting policies (Cont'd)

3.2.2 Critical judgement over the lease term (Cont'd)

The Group will not consider including the extension option in lease liabilities if it can replace the assets without significant cost or business disruption.

The assessment of reasonable certainty to exercise extension option is only revised if a significant change in circumstances occurs which affects this assessment, and is within the control of the lessee.

4. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers:

	Group	
	2022	2021
	S$	S$
Revenue from:		
- Sale of goods	2,423,322	2,829,502
- Service income	0	28,698
	2,423,322	2,858,200
Timing of transfer of goods or services:		
– At a point in time	2,423,322	2,829,502
– Over time	0	28,698
	2,423,322	2,858,200
Disaggregated by primary geographical markets:		
- Singapore	2,022,503	2,271,643
- Malaysia	300,620	449,915
- China and Taiwan	77,616	104,866
- Hong Kong	11,005	21,175
- Others	11,578	10,601
	2,423,322	2,858,200

4. Revenue from contracts with customers (Cont'd)

(b) Contract liabilities

Information about contract liabilities from contracts with customers are disclosed as follows:

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Advance payment for sale of goods	365,319	236,953	0	0

The contract liabilities relate to the consideration received from customers for the unsatisfied performance obligation in the sales of goods of the Company during the year. Revenue will be recognised when the goods and services are delivered to the customers.

(c) Unsatisfied performance obligation

The Group is applying the practical expedient in the paragraph 121 of FRS 115. Under this practical expedient, the Group need not disclose the information about its transaction price allocated to the remaining performance obligations as the Group recognise revenue from the satisfaction of the performance obligation in accordance to the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

5. Cost of sales

	Group	
	2022	2021
	S$	S$
Raw materials and consumables	317,442	418,777
Other costs	(176,613)	97,926
	140,829	516,703

6. Other income

	Group	
	2022	2021
	S$	S$
Interest income	5,412	5,938
Grant income	70,238	151,691
Other income	4,296	105,234
Gain on termination of lease	0	56,934
Reversal of impairment loss on property plant and equipment	0	861,379
	79,946	1,181,176

7. Loss before income tax

	Note	Group 2022 S$	Group 2021 S$
Profit before tax is arrived at after charging: -			
Impairment loss on intangible assets		0	24,216
Impairment loss on property, plant and equipment		5,464	0
Written back of provision for stock obsolescence		0	(84,983)
Bad debt expenses		1,252	47,282
Lease expenses – short term lease		0	33,397
Staff costs	24	2,625,170	3,086,565
Marketing expenses		405,744	486,503
Research and development expenses		0	84,235
Utilities charges		84,893	93,582

8. Income tax

8.1 Income tax expenses

	Group 2022 S$	Group 2021 S$
Tax expense attributable to loss is made up of:		
– Current income tax	0	1,622

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax as explained below:

	Group 2022 $	Group 2021 $
Loss before income tax	(1,437,341)	(1,122,015)
Tax calculated at statutory tax rate of 17% (2021:17%)	(244,348)	(190,743)
Effect of:		
– Expenses not deductible for tax purposes	17,543	389,522
– Income not subject to tax	0	(217,216)
– Effect on different tax rate in other countries	79,263	(56,075)
– Deferred tax asset not recognised	147,542	93,031
– Others	0	(16,897)
Tax expense	0	1,622

Unrecognised tax losses

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is profitable. The Group has unrecognised tax losses of approximately S$15,638,000 (2021: $14,770,000) at the reporting date which can be carried forward and used to offset against total taxable income, subject to meeting certain statutory requirements. The tax losses have no expiry date. At the reporting date, deferred tax assets were not recognised as the future profits which the unutilised losses and other future deductible temporary differences could be utilised against to, are not foreseeable.

8. Income tax (Cont'd)

8.2 Current income tax liabilities

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Movement in current income tax liabilities				
Beginning of financial year	6,908	0	0	0
Income tax refund	0	5,286	0	0
Income tax paid	(6,851)	0		
Current income tax	0	1,622	0	0
End of financial year	57	6,908	0	0

9. Cash and bank balances

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Wise, Stripe accounts	675	29	7	29
Cash on hand	652	1,729	0	0
Cash at bank	2,112,361	2,553,493	4,457	118,683
	2,113,688	2,555,251	4,464	118,712

At the reporting date, the carrying amounts of cash and cash equivalents approximated their fair values.

10. Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Trade receivables	167,631	81,826	0	0
Less: Impairment loss on trade receivables	(25,468)	(25,468)	0	0
	142,163	56,358	0	0
Amount due from related parties				
- Trade	0	1,018	0	0
- Non- trade	88,235	236	957	957
	88,235	1,254	957	957
Other receivables and deposits	194,059	229,960	0	0
Current tax receivable	0	13,592	0	0
Prepayments	156,190	185,439	8,966	19,640
Total	580,647	486,603	9,923	20,597

Trade receivables are non-interest bearing, unsecured and are generally on 30-90 days' (2021: 30-90 days') term.

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

There is no other class of financial assets that is past due and/or impaired except for trade receivables and amount due from related parties.

11. Inventories

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Raw materials and consumables	618,020	498,701	0	0
Finished goods	624,194	558,762	0	0
	1,242,214	1,057,463	0	0
Less: provision for stock obsolescence	(964,422)	(964,422)	0	0
	277,792	93,041	0	0

Inventories of S$317,442 (2021: S$418,777) were recognised as an expense during the year and included in "raw materials and consumables" under the "Cost of Sales" in the consolidated statement of comprehensive income.

Movement in the provision for stock obsolescence:

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Beginning of financial year	964,422	1,049,405	0	0
Allowance made	0	0	0	0
Reversal	0	(84,983)	0	0
End of financial year	964,422	964,422	0	0

12. Long-term receivables

The long-term receivables from subsidiaries amounting to S$21,666,250 (2021: S$21,666,250), bear interest at rates ranging from 5.2% to 6.3% (2021: 5.2% to 6.3%) per annum, have a fixed terms of repayment of 5 years and are not expected to be repaid within the next 12 months. As these amount 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 remain uncertain.

13. Investments in subsidiaries

	Company	
	2022	2021
	S$	S$
Unquoted equity shares, at cost		
Equity investment at cost	7,203,357	7,203,357
Less: Allowance for impairment	(7,203,357)	(7,203,357)
	0	0

Details of the subsidiaries are as follows:

Name of subsidiary	Country of business/ incorporation	Equity held 2022 %	Equity held 2021 %
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
Elowater Pte. Ltd.	Singapore	70	70
Elomart Taiwan Limited	Taiwan	60	60
Held by subsidiaries			
Hyflux Lifestyle Products (India) Private Limited	India	100*	100*
Elo Siloam Pte. Ltd	Singapore	70	70

**In the process of being liquidated.*

At the reporting date, cost of investments in subsidiaries been fully impaired as the subsidiaries continued to incur operating losses and management assessed the recoverable amounts of the subsidiaries to be S$NIL (2021: S$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 has been recognised.

14. Investment in associated companies

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Beginning of financial year	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)
End of financial year	0	0	0	0

The Group holds 30% (2021: 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:

	Kaqun	
	2022	2021
	S$	S$
Current assets	5,582,125	6,485,209
Non-current assets	2,093,438	2,228,459
	7,675,563	8,713,668
Current liabilities	333,333	365,130
Net assets	7,342,230	8,348,538
Revenue	52,991	42,023
Profit for the year	123,380	2,057
Group's interest in net assets of investee at beginning of the year	0	0
-profit / (loss) from continuing operations	0	0
-total comprehensive income	0	0
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)
Carrying amount of interest in investee at end of the year	0	0

Unrecognised shares of losses

The Group has not equity accounted for the results of Kaqun's profit for the year of S$37,014 (2021: profit of S$617) since the Group's investment in the associate has been fully written down and the Group has an accumulated share of unrecognised losses of S$170,834 (2021: S$207,848).

15. Property, plant and equipment

	Leasehold building S$	Leasehold improvements S$	Motor vehicles S$	Machinery equipment S$	Office equipment S$	Computers and software S$	Furniture and fittings S$	Construction in progress S$	Total S$
<u>**Group**</u>									
2022									
At cost									
At 1 January 2022	2,421,544	2,685,306	81,920	3,386,927	453,719	785,637	333,873	11,107	10,160,033
Additions	0	0	0	0	0	5,464	0	0	5,464
Written off	0	(1,344,434)	0	(491,257)	(15,780)	(189,514)	(159,729)	(11,107)	(2,211,821)
At 31 December 2022	2,421,544	1,340,872	81,920	2,895,670	437,939	601,587	174,144	0	7,953,676
Accumulated depreciation									
At 1 January 2022	(2,421,544)	(2,685,306)	(81,920)	(3,386,927)	(453,719)	(785,637)	(333,873)	(11,107)	(10,160,033)
Impairment losses	0	0	0	0	0	(5,464)	0	0	(5,464)
Written off	0	1,344,434	0	491,257	15,780	189,514	159,729	11,107	2,211,821
At 31 December 2022	(2,421,544)	(1,340,872)	(81,920)	(2,895,670)	(437,939)	(601,587)	(174,144)	0	(7,953,676)
Carrying amount									
End of financial year	0	0	0	0	0	0	0	0	0

15. Property, plant and equipment (Cont'd)

	Leasehold building S$	Leasehold improvements S$	Motor vehicles S$	Machinery equipment S$	Office equipment S$	Computers and software S$	Furniture and fittings S$	Construction in progress S$	Total S$
<u>Group (Cont'd)</u>									
2021									
At cost									
At 1 January 2021	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	0	0	7,140	0	0	187,958
Disposal	(2,425,949)	0	0	0	0	0	0	(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
Accumulated depreciation									
At 1 January 2021	(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	963,861	(61,915)	(33,427)	0	0	(7,140)	0	0	861,379
Disposal	1,376,612	0	0	0	0	0	0	73,028	1,449,640
At 31 December 2022	(2,421,544)	(2,685,306)	(81,920)	(3,386,927)	(453,719)	(785,637)	(333,873)	(11,107)	(10,160,033)
Carrying amount									
End of financial year	0	0	0	0	0	0	0	0	0

During the current financial year, the Management have approved to write off the property, plant and equipment amounting to S$2,211,821 (2021: 2,498,977) which were no longer in use and exist.

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 pre-terminated its lease of the premises. As a result, the Group de-recognised its right-of-use assets classified under leasehold building and reversed the accumulated impairment losses of S$1,049,337. For the remaining property, plant and equipment, the Group has recognised impairment losses of S$187,958 as the Group continued to incur operating losses and the value in use of these property, plant and equipment remained uncertain.

16. Leases – The Group as a lessee

Nature of the Group's leasing activities

The Group leases factory and warehouse and retail shop for the purpose of operation.

(a) Carrying amount

Right-of-use ("ROU") assets classified within property, plant and equipment

	2022 S$	2021 S$
Factory and warehouse	0	0

(b) Impairment losses during the financial year

	2022 S$	2021 S$
Impairment losses	0	0
Reversal of impairment losses	0	0
	0	0

(c) Interest expense on lease liabilities

	2022 S$	2021 S$
Factory and warehouse	27,002	15,676
Motor vehicles	0	0
	27,002	15,676

(d) Lease expenses not capitalised in lease liabilities

	2022 S$	2021 S$
Lease expense- short term lease	0	0

(e) Total cash outflow for all the leases in 2022 was S$563,862 (2021: S$643,240).

17. Intangible assets

Group	Licensing fees S$	Trademarks S$	Proprietary technology S$	Development costs S$	Total S$
2022					
At cost					
At 1 January 2022	75,975	725,451	244,676	512,318	1,558,420
Additions	0	0	0	0	0
Write off	0	0	0	(512,318)	(512,318)
At 31 December 2022	75,975	725,451	244,676	0	1,046,102
Accumulated amortisation and impairment losses					
At 1 January 2022	75,975	725,451	244,676	512,318	1,558,420
Impairment loss	0	0	0	0	0
Write off	0	0	0	(512,318)	(512,318)
At 31 December 2022	75,975	725,451	244,676	0	1,046,102
Carrying amount					
End of financial year	0	0	0	0	0

Group	Licensing fees S$	Trademarks S$	Proprietary technology S$	Development costs S$	Total S$
2021					
At cost					
At 1 January 2021	75,975	701,235	244,676	512,318	1,534,204
Additions	0	24,216	0	0	24,216
Disposal	0	0	0	0	0
At 31 December 2021	75,975	725,451	244,676	512,318	1,558,420
Accumulated amortisation and impairment losses					
At 1 January 2021	75,975	701,235	244,676	512,318	1,534,204
Impairment loss	0	24,216	0	0	24,216
Disposal	0	0	0	0	0
At 31 December 2021	75,975	725,451	244,676	512,318	1,558,420
Carrying amount					
End of financial year	0	0	0	0	0

17. Intangible assets (Cont'd)

	Trademarks S$	Total S$
Company		
2022		
At cost		
At 1 January 2022	24,216	24,216
Additions	0	0
(Disposal)	0	0
At 31 December 2022	0	0
Accumulated depreciation		
At 1 January 2022	24,216	24,216
Depreciation	0	0
(Disposal)	0	0
At 31 December 2022	0	0
Carrying amount		
End of financial year	0	0

	Trademarks S$	Total S$
Company		
2021		
At cost		
At 1 January 2021	0	0
Additions	24,216	24,216
(Disposal)	0	0
At 31 December 2021	24,216	24,216
Accumulated depreciation		
At 1 January 2021	0	0
Depreciation	24,216	24,216
(Disposal)	0	0
At 31 December 2021	24,216	24,216
Carrying amount		
End of financial year	0	0

The impairment on intangible assets was made as the Group and the 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 of S$NIL and S$NIL (2021: S$24,216 and S$24,216) respectively.

18. Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Trade payables	270,606	533,782	169,417	158,375
Other payables and accruals	467,057	669,285	837,599	230,565
Amount due to:				
- Subsidiary (Non-trade)	0	0	0	50,835
- Related party (trade)	68,400	10,728	0	0
- Related party (Non-trade)	2,433,096	2,096,493	0	696,864
Contract liabilities	365,319	236,953	0	0
Total	3,604,478	3,547,241	1,007,016	1,136,639

Trade payables are non-interest bearing and normally settled within 30 to 60 days (2021: 30 to 60 days).

The amount due to related parties are unsecured, non-interest bearing and are repayable on demand.

19. Lease liabilities

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
- Current	751,134	1,287,994	0	0
	751,134	1,287,994	0	0

A reconciliation of liabilities arising from the Group's financing activities are as follows:

				Non – cash charges			
	01.01.2022	Additions	Repayments during the year	Accretion of interests	Foreign exchange difference	Other	31.12.2022
	S$	S$	S$	S$	S$	S$	S$
Group							
Lease liabilities							
Current	1,287,994	0	(563,862)	27,002	0	0	751,134
	1,287,994	0	(563,862)	27,002	0	0	751,134

				Non – cash charges			
	01.01.2021	Additions	Repayments during the year	Accretion of interests	Foreign exchange difference	Other	31.12.2021
	S$	S$	S$	S$	S$	S$	S$
Group							
Lease liabilities							
Current	2,903,133	0	(643,240)	15,469	0	(987,368)	1,287,994
	2,903,133	0	(643,240)	15,469	0	(987,368)	1,287,994

20. Shareholder's loan

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

21. Share capital

	2022		2021	
	No. of shares	S$	No. of shares	S$
Issued and fully paid ordinary shares				
At beginning and end of financial year	187,506,416	26,932,563	187,506,416	26,932,563

	2022		2021	
	No. of shares	S$	No. of shares	S$
Issued and fully paid preference shares				
At beginning and end of financial year	20,000,000	20,000,000	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.

22. Reserves

	Group		Company	
	2022 S$	2021 S$ (Restated)	2022 S$	2021 S$
Accumulated losses	(39,871,744)	(38,641,503)	(50,685,192)	(48,929,893)
Translation Reserves	968,410	943,337	0	0
	(38,903,334)	(37,698,166)	(50,685,192)	(48,929,893)

Currency translation reserve

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

23. Non-controlling interests

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

Name of subsidiary	Country of business/ incorporation	Equity held 2022 %	Equity held 2021 %
Elo Living 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. S$	Elo Siloam Pte. Ltd. S$	Elomart Taiwan Limited S$	Total S$
2022				
Revenue	534,746	0	77,616	
(Loss) / profit for the year	(683,096)	(48,585)	31,011	
OCI	0	0	(60,066)	
Total Comprehensive income	(683,096)	(48,585)	(29,055)	
Attributable to NCI				
- (Loss)/ profit	(204,929)	(14,576)	12,405	(207,100)
- OCI	0	0	(24,026)	(24,026)
- Total comprehensive income	(204,929)	(14,576)	36,431	(231,126)
Current assets	506,639	2,607	536,312	
Current liabilities	(37,110,192)	(4,693,836)	(836)	
Net (liabilities) / assets	(36,603,553)	(4,692,229)	535,476	
Net (liabilities) / assets attributable to NCI	(10,979,293)	(1,407,668)	214,190	(12,172,771)

	Elo Water Pte. Ltd. S$ (Restated)	Elo Siloam Pte. Ltd. S$ (Restated)	Elomart Taiwan Limited S$	Total S$ (Restated)
2021				
Revenue	522,643	181,405	101,580	
(Loss) / profit for the year	(1,029,398)	1,161,610	27,830	
OCI	0	0	17,690	
Total Comprehensive income	(1,029,398)	1,161,610	45,520	
Attributable to NCI				
- (Loss)/ profit	(308,819)	348,483	11,132	(50,796)
- OCI	0	0	7,076	7,076
- Total comprehensive income	(308,819)	348,483	18,208	(43,720)
Current assets	499,664	7,121	598,514	
Current liabilities	(36,420,121)	(4,650,764)	(33,983)	
Net (liabilities) / assets	(35,920,457)	(4,643,643)	564,531	
Net (liabilities) / assets attributable to NCI	(10,774,363)	(1,393,094)	225,812	(11,941,645)

23. Non-controlling interests (Cont'd)

	Elo Water Pte. Ltd. S$	Elo Siloam Pte. Ltd. S$	Elomart Taiwan Limited S$
31 December 2022			
Cash flow from operating activities	492,222	(2,114)	(53,990)
Cash flow used in investing activities	0	0	0
Cash flow used in financing activities	(518,032)	0	0
Net (decrease)/ increase in cash and cash equivalents	(25,810)	(2,114)	(53,990)

	Elo Water Pte. Ltd. S$	Elo Siloam Pte. Ltd. S$	Elomart Taiwan Limited S$
31 December 2021			
Cash flow from operating activities	471,163	27,371	60,219
Cash flow used in investing activities	(33,427)	0	0
Cash flow used in financing activities	(462,405)	(50,888)	0
Net increase/ (decrease) in cash and cash equivalents	(24,669)	(23,517)	60,219

24. Staff costs

	2022 S$	2021 S$
Salaries, bonuses and other costs	2,226,092	2,679,923
Contributions to defined contribution plans	209,916	210,529
Other personnel expenses	189,162	196,113
	2,625,170	3,086,565

25. Related party transactions

(i) In addition to the related party information disclosed elsewhere in the notes to the financial statements, the following transactions took place between the Group and the related parties during the financial year at terms agreed between the parties:

	Group	
	2022 S$	2021 S$
Related parties		
Purchase of goods	0	0
Sale of goods	0	0
Rental and utilities	0	0
	0	0

	Group	
	2022 S$	2021 S$
Associate		
Royalty fee	9,224	9,741

25. Related party transactions (Cont'd)

(ii) The key management personnel received the following remuneration during the financial year:

	Group	
	2022	2021
	S$	S$
Director's fees	88,911	80,000
Short term employee benefits	851,525	1,022,322
Post-employment benefits	50,151	51,276
	990,587	1,153,598

26. Financial instruments

The carrying amounts of financial assets and liabilities of the Group and the Company as at end of financial year are as follows:

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Financial assets, at amortised cost				
Cash and cash equivalents	2,113,688	2,555,251	4,464	118,712
Trade and other receivables (excluding prepayments)	424,457	287,572	957	957
	2,538,145	2,842,823	5,421	119,669
Financial liabilities, at amortised cost				
Trade and other payables	3,604,478	3,310,288	1,007,016	1,136,639
Lease liabilities	751,134	1,287,994	0	0
Shareholder's loan	2,760,000	1,000,000	2,760,000	1,000,000
	7,115,612	5,598,282	3,767,016	2,136,639

27. Financial risk management

The main risks arising from the Group's and the Company's financial instruments are credit risk, liquidity risk, and 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 report 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.

27. Financial risk management (Cont'd)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or 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 represent the Group's and Company's maximum exposures to credit risk before taking into account any collateral held. The Group and Company does not hold any collateral in respect of their financial assets.

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

	Group		Company	
	2022 S$	2021 S$	2022 S$	2021 S$
Impairment loss on trade receivables	0	0	0	0

Exposure to credit risk

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

	Carrying amount Group	
	2022 S$	2021 S$
Singapore	368,125	213,977
Malaysia	4,661	21,522
China and Taiwan	49,508	48,820
Hong Kong	584	584
Others	1,579	2,669
	424,457	287,572

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also consider 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 disclosed in Note 4.

The Group has 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 term for the customers and monitoring 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 term 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.

27. Financial risk management (Cont'd)

<u>_Credit risk (Cont'd)_</u>

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 S$	Less allowance S$	Net carrying amount S$
2022				
Not past due	0%	142,163	0	142,163
More than 90 days past due	0%	0	0	0
More than 90 days past due (credit impaired)	100%	25,468	(25,468)	0
		167,631	(25,468)	142,613
2021				
Not past due	0%	7,031	0	7,031
More than 90 days past due	0%	49,327	0	49,327
More than 90 days past due (credit impaired)	100%	25,468	(25,468)	0
		81,826	(25,468)	56,358

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 Company to continue in operation in the foreseeable future as per Note 2.1. As the outcome cannot be established, the valuations of the amount due from subsidiaries are subject to significant uncertainties. The Company has fully impaired its long-term receivables due from subsidiaries as per Note 12.

Other receivables and deposits

The Group and Company have other receivables and deposits of S$194,059 and S$NIL respectively (2021: S$229,960 and S$NIL). Other receivables and deposits relate mainly to rental deposits placed with lessors. The amount of the allowance on other receivables and deposits was insignificant.

27. Financial risk management (Cont'd)

Credit risk (Cont'd)

Cash and cash equivalents

The Group and Company held cash and cash equivalents of S$2,113,688 and S$4,464 respectively as at 31 December 2022 (2021: S$2,555,251 and S$118,712), 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 Company consider that their cash and cash equivalents have low credit risk based on 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 2.1, the Group's and 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 12 months to cover its operating costs.

Exposure to liquidity risk

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

		Cash flows		
	Carrying amount S$	Contractual cash flows S$	Within 1 year or less S$	Between 2- 5 years S$
Group				
2022				
Financial liabilities				
Trade and other payables (excluding contract liabilities)	3,604,478	(3,604,478)	(3,604,478)	0
Shareholder's loan	2,760,000	(2,760,000)	(2,760,000)	0
Lease liabilities	751,134	(766,045)	(766,045)	0
	7,115,612	(7,130,523)	(7,130,523)	0
2021				
Financial liabilities				
Trade and other payables (excluding contract liabilities)	3,310,288	(3,310,288)	(3,310,288)	0
Shareholder's loan	1,000,000	(1,000,000)	(1,000,000)	0
Lease liabilities	1,287,994	(1,331,184)	(565,139)	(766,045)
	5,598,282	(5,641,472)	(4,875,427)	(766,045)

27. Financial risk management (Cont'd)

Liquidity risk (Cont'd)

	Carrying amount S$	Cash flows Contractual cash flows S$	Within 1 year or less S$	Between 2- 5 years S$
Company				
2022				
Financial liabilities				
Trade and other payables	1,007,016	(1,007,016)	(1,007,016)	0
Shareholder's loan	2,760,000	(2,760,000)	(2,760,000)	0
	3,767,016	(3,767,016)	(3,767,016)	0
2021				
Financial liabilities				
Trade and other payables	1,136,639	(1,136,639)	(1,136,639)	0
Shareholder's loan	1,000,000	(1,000,000)	(1,000,000)	0
	2,136,639	(2,136,639)	(2,136,309)	0

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 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 optimizing the return.

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

28. Capital management

The Board of Directors sets and monitors the capital management of the Group and the Company. Capital consists of the total equity. As disclosed in Note 2.1, the Group is not regarded as 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.

29. Fair values

As at 31 December 2022, the carrying amounts of financial assets and liabilities recorded in the financial statements of the Group and the Company approximate their fair values due to their short-term nature.

The fair values of non-current financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group and the Company for similar financial liabilities.

30. Subsequent events

Subsequent to year end, the major shareholder of the Company extended additional five term loan facilities of a total of S$500,000 to the Company. These loans are interest free and unsecured. In the loan agreement, there was no fixed repayment terms nor did it have a predetermined final maturity date.

31. Impact Coronavirus Disease 2019 (COVID-19)

As the COVID-19 situation has improved and moved from pandemic to endemic, restrictions have been gradually released. Unless there is any new COVID-19 variant causing the government to restart the safe management measures, the Group can reasonably ascertain the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2023 would be marginal.

The Group has assessed that the non-going concern basis of preparation for this set of financial statements remains appropriate. The Board of Directors is continuously monitoring the COVID-19 situation and will take further action as necessary in response to the economic disruption.

32. Comparative figures

a) Restatement have been made to the prior year's financial statements as follows:

The comparative figures for the financial year ended 31 December 2021 have been restated in these financial statements due to the Group wrongly recognised the sharing profits from subsidiaries to the equity holder of the Company and non-controlling interest in the prior year.

The effect of the restatement is summarised as below:-

	As previously reported	Restatement	As restated
	S$	S$	S$
31.12.2021			
Group			
Consolidated statement of comprehensive income			
Loss attributed to:			
- Owners of the Company	(1,021,295)	(51,546)	(1,072,841)
- Non-controlling interests	(102,342)	51,546	(50,796)
Total comprehensive income attributed to:			
- Owners of the Company	(940,096)	(51,546)	(991,642)
- Non-controlling interests	(95,266)	51,546	(43,720)
Statement of financial position			
Reserve	(37,646,620)	(51,546)	(37,698,166)
Non-controlling interest	(11,993,191)	51,546	(11,941,645)

32. Comparative figures (Cont'd)

b) Certain reclassifications have been made to the comparative information to enhance comparability with current year's financial statements.

The following reclassifications were made:-

	As previously reported	Reclassification	As reclassified
	S$	S$	S$
31.12.2021			
Group			
Consolidated statement of comprehensive income			
Staff costs	(3,086,565)	3,086,565	0
Other expenses	(1,542,447)	1,542,447	0
Administrative and other expenses	0	(4,629,012)	(4,629,012)
Statement of cash flows			
Net cash used in operating activities	(1,214,437)	(30,834)	(1,245,271)
Net decrease in cash and cash equivalents	(945,010)	(30,834)	(975,844)
Effects of currency translation on cash and cash equivalents	(86,895)	30,834	(56,061)

33. Authorisation of financial statements

These financial statements for the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on