

FINANCIAL STATEMENTS 2019



Multi Water Holdings Ltd.
(formerly known as Hyfluxshop Holdings Ltd.)
UEN: 201723246Z

Contents

Directors' Statement	1
Independent Auditors' Report	4
Statements of Financial Position	FS 1
Consolidated Statement of Profit or Loss and Other Comprehensive Income	FS 2
Consolidated Statement of Changes in Equity	FS 3
Consolidated Statement of Cash Flows	FS 5
Notes to the Financial Statements	FS 6



**Multi Water Holdings Ltd.
(formerly known as Hyfluxshop Holdings Ltd.)
and its subsidiaries
Registration Number: 201723246Z**

Annual Report
Year ended 31 December 2019

Directors' Statement

We hereby submit this annual report to the members of the Company for the financial year ended 31 December 2019.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS47 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, subject to the matters referred to in Note 2 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Directors

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

LUM Ooi Lin
LIM Sau Hoong
CHONG Chiet Ping
CHEONG Aik Hock (Alternate Director to LUM Ooi Lin)

Change of Company Name

During the financial year, the Company changed its name from Hyfluxshop Holdings Ltd. to Multi Water Holdings Ltd. on 3 September 2019.

Directors' Interests

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

Name of director and corporation in which interests are held	Direct interest		Deemed interest	
	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
The Company				
<u>Ordinary Shares</u>				
LUM Ooi Lin	51,332,944	112,932,476	34,095,074	34,095,074
LIM Sau Hoong	—	1,157,895	—	—
CHONG Chiet Ping	—	1,157,895	—	—
<u>Preference Shares</u>				
LUM Ooi Lin	—	—	20,000,000	20,000,000

By virtue of Section 7 of the Companies Act (Cap. 50) of Singapore, LUM Ooi Lin is deemed to have interests in the subsidiaries of the Company, at the beginning and at the end of the financial year.

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

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

Share Options

During the financial year, there were:

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

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

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



CHONG Chiet Ping

Director



Sauhoong Lim (Aug 13, 2020 22:29 GMT+8)

LIM Sau Hoong

Director

13 August 2020



KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent Auditors' Report

Members of the Company
Multi Water Holdings Ltd.
(formerly known as Hyfluxshop Holdings Ltd.)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Multi Water Holdings Ltd. (formerly known as Hyfluxshop Holdings Ltd.) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS47.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 2 to the financial statements which describes that the financial statements of the Group and the Company have been prepared on a realisation basis mainly due to the absence of readily available sources of funding arising from the net loss of the Group of \$9,652,413 for the year. Furthermore, the Group and the Company are not expecting to generate net positive operating cashflows in the next twelve months.

These indicate that a material uncertainty exists that may cast a significant doubt on the Company's ability to continue as a going concern. As a result, the financial statements for the year ended 31 December 2019 have been prepared on a realisation basis. The carrying value of the assets as at 31 December 2019 are presented at the lower of amortised cost or the estimated net realisable values and all liabilities are presented at estimated settlement amounts. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information contained in the annual report. The other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' statement prior to the date of this auditors' report.

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting. When such use is inappropriate and management uses an alternative basis of accounting, we conclude whether the alternative basis used by management is acceptable in the circumstances. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Multi Water Holdings Ltd.
(formerly known as Hyfluxshop Holdings Ltd.)
and its subsidiaries
Independent auditors' report
Year ended 31 December 2019

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

13 August 2020

Statements of financial position
As at 31 December 2019

		Group		Company	
	Note	2019	2018	2019	2018
		\$	\$	\$	\$
Assets					
Property, plant and equipment	6	—	—	—	—
Intangible assets	7	—	—	—	—
Associates	9	—	—	—	—
Long-term receivables	10	—	—	—	—
Subsidiaries	5	—	—	1,542,610	3,493,730
Inventories	11	1,239,583	3,145,843	—	—
Trade and other receivables	12	1,110,539	1,011,676	26,657	17,777
Cash and cash equivalents		7,869,671	3,870,180	4,954,398	214,337
Total current assets		10,219,793	8,027,699	6,523,665	3,725,844
Liabilities					
Trade and other payables	13	4,025,416	4,001,610	1,185,833	1,337,211
Lease liabilities		3,979,338	—	—	—
Shareholder's loan	14	1,300,000	382,172	1,300,000	—
Total current liabilities		9,304,754	4,383,782	2,485,833	1,337,211
Net current assets		915,039	3,643,917	4,037,832	2,388,633
Equity					
Share capital	15	46,932,563	40,000,002	46,932,563	40,000,002
Reserves	16	(34,545,109)	(27,224,676)	(42,894,731)	(37,611,369)
Non-controlling interests	8	(11,472,415)	(9,131,409)	—	—
Total equity		915,039	3,643,917	4,037,832	2,388,633

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

Consolidated statement of profit or loss and other comprehensive income
Year ended 31 December 2019

		Group	Period from
		Year ended	16/8/2017
		31/12/2019	(date of
	Note	\$	incorporation)
			to 31/12/2018
			\$
Revenue	17	4,773,068	7,546,526
Other income	18	227,228	191,235
Raw materials and consumables		(2,924,727)	(3,099,653)
Staff costs	19	(3,629,492)	(5,372,217)
Depreciation and amortisation expense	6,7	(150,959)	(2,544,574)
Operating lease expense		–	(1,814,252)
Other expenses	20	(7,764,183)	(24,945,355)
Finance cost		(183,348)	(318,331)
Share of losses of equity-accounted investees	9	–	(55,662)
Loss before tax		(9,652,413)	(30,412,283)
Tax credit	21	–	–
Loss after tax		(9,652,413)	(30,412,283)
Loss attributable to:			
Owners of the company		(7,313,770)	(26,082,394)
Non-controlling interests		(2,338,643)	(4,329,889)
Loss for the year/period		(9,652,413)	(30,412,283)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		43,128	(19,242)
Reclassification of foreign exchange translation reserve to profit and loss on deregistration of foreign operation		(52,154)	–
Other comprehensive income for the year/period, net of tax		(9,026)	(19,242)
Total comprehensive income for the year/period		(9,661,439)	(30,431,525)
Total comprehensive loss attributed to:			
Owners of the company		(7,320,433)	(26,104,305)
Non-controlling interests		(2,341,006)	(4,327,220)
Total comprehensive loss for the year/period		(9,661,439)	(30,431,525)

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

Consolidated statement of changes in equity
Year ended 31 December 2019

		Attributable to owners of the Company				Non-	
	Note	Share capital \$	Translation reserve \$	Revenue reserve \$	Total \$	controlling interests \$	Total equity \$
Group							
At 16 August 2017 (date of incorporation)		2	–	–	2	–	2
Arising from acquisition of subsidiaries under common control		–	788,077	(1,908,448)	(1,120,371)	(4,804,189)	(5,924,560)
At 1 October 2017		2	788,077	(1,908,448)	(1,120,369)	(4,804,189)	(5,924,558)
Total comprehensive income for the period							
Loss for the period		–	–	(26,082,394)	(26,082,394)	(4,329,889)	(30,412,283)
Other comprehensive income							
Foreign currency translation differences		–	(21,911)	–	(21,911)	2,669	(19,242)
Total other comprehensive income		–	(21,911)	–	(21,911)	2,669	(19,242)
Total comprehensive income for the period		–	(21,911)	(26,082,394)	(26,104,305)	(4,327,220)	(30,431,525)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares		20,000,000	–	–	20,000,000	–	20,000,000
Issue of preference shares		20,000,000	–	–	20,000,000	–	20,000,000
Total transactions with owners		40,000,000	–	–	40,000,000	–	40,000,000
At 31 December 2018		40,000,002	766,166	(27,990,842)	12,775,326	(9,131,409)	3,643,917

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

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2019

Note	Attributable to owners of the Company				Non-controlling interests \$	Total equity \$
	Share capital \$	Translation reserve \$	Revenue reserve \$	Total \$		
Group						
At 1 January 2019	40,000,002	766,166	(27,990,842)	12,775,326	(9,131,409)	3,643,917
Total comprehensive income for the year						
Loss for the period	—	—	(7,313,770)	(7,313,770)	(2,338,643)	(9,652,413)
Other comprehensive income						
Foreign currency translation differences	—	45,491	—	45,491	(2,363)	43,128
Reclassification of foreign exchange translation reserve to profit or loss on deregistration on foreign subsidiary	—	(52,154)	—	(52,154)	—	(52,154)
Total other comprehensive income	—	(6,663)	—	(6,663)	(2,363)	(9,026)
Total comprehensive income for the year	—	(6,663)	(7,313,770)	(7,320,433)	(2,341,006)	(9,661,439)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares	6,932,561	—	—	6,932,561	—	6,932,561
Issue of preference shares	—	—	—	—	—	—
Total transactions with owners	6,932,561	—	—	6,932,561	—	6,932,561
At 31 December 2019	46,932,563	759,503	(35,304,612)	12,387,454	(11,472,415)	915,039

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

Consolidated statement of cash flows
Year ended 31 December 2019

		Group	Period from
			16/8/2017
			(date of
			incorporation)
	Note	Year ended	to 31/12/2018
		31/12/2019	\$
		\$	\$
Cash flows from operating activities			
Loss for the year/period		(9,652,413)	(30,412,283)
Adjustments for:			
Depreciation	6	149,005	2,428,330
Amortisation of intangible assets	7	1,954	128,931
Interest income		(345)	(107,739)
Impairment of property, plant and equipment	6, 20	5,527,654	3,380,042
Loss from disposal of property, plant and equipment		–	630,051
Impairment of intangible assets	7	34,390	866,211
Provision of stock obsolescence		1,275,412	–
Inventory written off		–	452,926
Impairment of investment in associates	9, 20	–	10,931,338
Impairment of trade and other receivables		–	1,953,354
Unrealised foreign exchanges		(7,159)	124,046
Interest expense		183,348	318,331
Share of loss of equity-accounted investees, net of tax	9	–	55,662
		(2,488,154)	(9,250,800)
Changes in:			
Inventories		630,848	(3,598,769)
Trade and other receivables		(111,099)	393,614
Trade and other payables		(33,721)	639,260
Contract liabilities		(382,172)	–
Change in amounts due to related parties		57,291	411,563
Net cash used in operating activities		(2,327,007)	(11,405,132)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(866,149)	(1,531,914)
Acquisition of intangible assets	7	(36,344)	(285,566)
Interest income received		12,817	95,267
Acquisition of subsidiaries and associates, net of cash acquired		–	(3,002,477)
Net cash used in investing activities		(889,676)	(4,724,690)
Cash flows from financing activity			
Proceeds from issue of share capital		6,932,561	20,000,002
Shareholder's loan		1,300,000	–
Payment of lease liabilities		(994,413)	–
Interest expense paid		(20,107)	–
Net cash from financing activity		7,218,041	20,000,002
Net increase in cash and cash equivalents		4,001,358	3,870,180
Cash and cash equivalents at 1 January 2019/ 16 August 2017		3,870,180	–
Effect of exchange rate fluctuations on cash held		(1,867)	–
Cash and cash equivalents at 31 December		7,869,671	3,870,180

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 13 August 2020.

1 Domicile and Activities

Multi Water Holdings Ltd. (formerly known as Hyfluxshop Holdings Ltd.) (the “Company”) is incorporated in Singapore. The address of the Company’s registered office is at 38C Belvedere Close, Singapore 159883.

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries.

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

2 Realisation Basis of Accounting

The financial statements have been prepared on a realisation basis mainly due to the absence of readily available sources of funding arising from the net loss of the Group of \$9,652,413 (2018: \$30,412,283) for the year. Furthermore, the Group is not expecting to generate net positive operating cashflow in the next 12 months. The Group and the Company raised additional equity during the year by way of a private placement to various investors in the first half of 2019 and a right issue to the existing shareholders of the Company in the second half of 2019, an aggregate of 75,322,848 ordinary shares were allotted and issued at an aggregate issue price of \$6,932,561. In addition, the Group and the Company obtained a interest bearing shareholder’s loan from a shareholder of \$1,300,000, with no fixed repayment terms nor a predetermined maturity date.

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

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

These indicate that a material uncertainty exists that may cast a significant doubt on the Group’s and the Company’s ability to continue as a going concern. As a result, the financial statements for the year ended 31 December 2019 have been prepared on a realisation basis. The carrying value of the assets as at 31 December 2019 are presented at the lower of carrying amount or the estimated net realisable values and all liabilities are presented at estimated settlement amounts.

3 Basis of Preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”).

This is the first set of the Group’s annual financial statements in which FRS 116 *Leases* has been applied. The related changes to significant accounting policies are described in note 3.5.

3.2 Basis of measurement

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

3.3 Functional and presentation currency

These financial statements are presented in Singapore dollars (“SGD”), which is the Company’s functional currency.

3.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

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

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 22.

3.5 Changes in accounting policies

New standards and amendments

The Group has applied the following FRS, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2019:

- FRS 116 *Leases*
- FRS INT 123 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to FRS 28)
- *Prepayment Features with Negative Compensation* (Amendments to FRS 109)
- *Previously Held Interest in a Joint Operation* (Amendments to FRS 103 and 111)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to FRS 12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to FRS 23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to FRS 19)

Other than FRS 116, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

FRS 116 Leases

The Group applied FRS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under INT FRS 104 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in FRS 116.

On transition to FRS 116, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied FRS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under FRS 17 and INT FRS 104 were not reassessed for whether there is a lease under FRS 116. Therefore, the definition of a lease under FRS 116 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases many assets including property, production equipment and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under FRS 116, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under FRS 17

Previously, the Group classified property leases as operating leases under FRS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if FRS 116 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying FRS 116 to leases previously classified as operating leases under FRS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Leases classified as finance leases under FRS 17

The Group leases a number of items of production equipment. These leases were classified as finance leases under FRS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under FRS 17 immediately before that date.

Impact on financial statements

Impact on transition*

On transition to FRS 116, the Group recognised additional right-of-use assets, including investment property, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019 \$
Right-of-use assets – property, plant and equipment	2,474,442
Lease liabilities	<u>(2,474,442)</u>

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 6%.

	1 January 2019 \$
Operating lease commitments at 31 December 2018 as disclosed under FRS 17 in the Group's financial statements	<u>1,326,836</u>
Discounted using the incremental borrowing rate at 1 January 2019	1,255,285
- Recognition exemption for leases with less than 12 months of lease term at transition	(289,671)
- Extension options reasonably certain to be exercised	<u>1,508,828</u>
Lease liabilities recognised at 1 January 2019	<u><u>2,474,442</u></u>

4 Significant Accounting Policies

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

4.1 Basis of consolidation

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests ("NCI") arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

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

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

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for at the date of the acquisition. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

Loss of control

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

Investments in associates (equity-accounted investees)

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

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

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

Transactions eliminated on consolidation

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

Subsidiaries and associates in the separate financial statements

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

4.2 Foreign currency

(i) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

(ii) Foreign operations

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

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

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

4.3 Financial instruments

(i) **Recognition and initial measurement**

Non-derivative financial assets and financial liabilities

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

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

(ii) **Classification and subsequent measurement**

Non-derivative financial assets

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

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

Financial assets at amortised cost

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

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

Financial assets: Business model assessment

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

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

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

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

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

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

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

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

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

Financial assets at amortised cost

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

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

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

(iii) Derecognition

Financial assets

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

Financial liabilities

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

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

(iv) Offsetting

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

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) Share capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issuance of ordinary shares are accounted for as a deduction from equity.

Preference share capital

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

4.4 Leases

The Group has applied FRS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under FRS 17 and INT FRS 104. The details of accounting policies under FRS 17 and INT FRS 104 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in FRS 116.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

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

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

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

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

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

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

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

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

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

Leases - Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

4.5 Impairment

(i) **Non-derivative financial assets**

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

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

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

Simplified approach

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

General approach

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

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

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

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

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

(ii) Associates

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

(iii) Non-financial assets

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

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

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

4.6 Property, plant and equipment

(i) **Recognition and measurement**

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

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

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

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) **Subsequent costs**

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

(iii) Depreciation

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

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

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

The estimated useful lives for the current period are as follows:

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

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

4.7 Intangible assets

(i) Research and development

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

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

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

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

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

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

4.8 Inventories

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

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

4.9 Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

4.10 Revenue

Goods and services sold

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

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

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

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

4.11 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of that specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group’s incremental borrowing rate.

4.12 Interest income

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

4.13 Tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4.14 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

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

- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business* (Amendments to FRS 103)
- *Definition of Material* (Amendments to FRS 1 and FRS 8)
- *FRS 117 Insurance Contracts*

5 Subsidiaries

	Company	
	2019	2018
	\$	\$
Unquoted equity securities, at cost	7,203,357	7,329,195
Less: Allowance for impairment	(5,660,747)	(3,835,465)
	<u>1,542,610</u>	<u>3,493,730</u>

Details of the subsidiaries are as follows:

Names of subsidiaries	Principal place of business/Country of incorporation	Ownership interests	
		2019	2018
		%	%
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 Korea Ltd.*	Korea	—	100
Hyfluxshop Hong Kong Limited	Hong Kong	100	100
Elomart Australia Pty Ltd (formerly known as Hyfluxshop Australia Pty Ltd)	Australia	100	100
Hyflux Lifestyle Products (India) Private Limited	India	100	100
Elo Water Pte. Ltd.	Singapore	70	70
Elo Siloam Pte. Ltd.	Singapore	70	70
Elomart Taiwan Limited (formerly known as Hyfluxshop Taiwan Ltd.)	Taiwan	60	60

* Liquidated in May 2019

The impairment on investments in subsidiaries was made as the subsidiaries continued to incur operating losses. Accordingly, the Company performed an assessment of the recoverable amount of its investments in subsidiaries. Management assessed the recoverable amount of the subsidiaries to be \$1,542,610 which is arrived based on the net assets of these subsidiaries. Accordingly, the Company recognised impairment losses on investments in subsidiaries of \$1,926,677 during the year.

Sources of estimation uncertainty

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

6 Property, Plant and Equipment

	Leasehold building \$	Leasehold improvements \$	Motor vehicle \$	Machinery equipment \$	Office equipment \$	Computers and software \$	Furniture and fittings \$	Construction- in-progress \$	Total \$
Group Cost									
As at 1 January 2018	—	2,384,926	—	2,967,858	421,579	579,571	347,335	289,255	6,990,524
Additions	—	853,413	—	209,694	75,292	223,599	35,237	180,537	1,577,772
Transfers	—	—	—	347,419	—	—	18,700	(366,119)	—
Disposal	—	(1,397,957)	—	(164,025)	(44,735)	(171,673)	(70,812)	(19,538)	(1,868,740)
At 31 December 2018	—	1,840,382	—	3,360,946	452,136	631,497	330,460	84,135	6,699,556
Recognition of right- of-use asset on initial application of FRS116	2,425,949	—	48,493	—	—	—	—	—	2,474,442
Adjusted balance at 1 January 2019	2,425,949	—	48,493	—	—	—	—	—	2,474,442
Additions	2,336,068	691,459	—	22,694	1,583	147,000	3,413	—	3,202,217
At 31 December 2019	4,762,017	2,531,841	48,493	3,383,640	453,719	778,497	333,873	84,135	12,376,215
Accumulated depreciation and impairment losses									
As at 1 January 2018	—	(531,612)	—	(805,773)	(107,099)	(340,957)	(87,415)	—	(1,872,856)
Depreciation	—	(1,108,633)	—	(670,653)	(91,395)	(150,449)	(74,225)	—	(2,095,355)
Impairment	—	(753,157)	—	(1,900,569)	(261,512)	(169,076)	(211,593)	(84,135)	(3,380,042)
Disposal	—	553,020	—	16,049	7,870	28,985	42,773	—	648,697
At 31 December 2018	—	(1,840,382)	—	(3,360,946)	(452,136)	(631,497)	(330,460)	(84,135)	(6,699,556)
Depreciation	—	(96,897)	—	(2,212)	(630)	(49,000)	(266)	—	(149,005)
Impairment	(4,762,017)	(594,562)	(48,493)	(20,482)	(953)	(98,000)	(3,147)	—	(5,527,654)
At 31 December 2019	(4,762,017)	(2,531,841)	(48,493)	(3,383,640)	(453,719)	(778,497)	(333,873)	(84,135)	(12,376,215)
Carrying amounts									
As at 1 January 2018	—	1,853,314	—	2,162,085	314,480	238,614	259,920	289,255	5,117,668
At 31 December 2018	—	—	—	—	—	—	—	—	—
At 31 December 2019	—	—	—	—	—	—	—	—	—

Impairment

The impairment on property, plant and equipment were made as the Group continued to incur operating losses and the value in use of these property, plant and equipment remains uncertain. Accordingly, the Group has recognised recognised impairment losses on property, plant and equipment of \$5,527,654 (2018: \$3,380,042) during the year.

7 Intangible Assets

	Licensing fees \$	Trademarks \$	Proprietary technology \$	Development costs \$	Total \$
Group Cost					
As at 1 January 2018	60,687	623,731	107,143	490,969	1,282,530
Additions	15,288	125,521	53,812	21,349	215,970
Reclassification	—	(64,645)	64,645	—	—
Disposal	—	(640)	—	—	(640)
At 31 December 2018	75,975	683,967	225,600	512,318	1,497,860
Additions	—	17,268	19,076	—	36,344
At 31 December 2019	75,975	701,235	244,676	512,318	1,534,204
Accumulated amortisation					
As at 1 January 2018	13,425	10,531	—	481,247	505,203
Impairment	51,282	580,700	206,719	27,510	866,211
Amortisation for the year	11,268	92,736	18,881	3,561	126,446
At 31 December 2018	75,975	683,967	225,600	512,318	1,497,860
Impairment	—	16,707	17,683	—	34,390
Amortisation for the year	—	561	1,393	—	1,954
At 31 December 2019	75,975	701,235	244,676	512,318	1,534,204
Carrying amounts					
At 1 January 2018	47,262	613,200	107,143	9,722	777,327
At 31 December 2018	—	—	—	—	—
At 31 December 2019	—	—	—	—	—

	Company	
	2019	2018
	\$	\$
Trademarks		
As at 1 January	—	—
Addition during the year	17,268	124,881
Transferred from subsidiaries	—	548,555
Impairment	(16,707)	(580,700)
Amortisation for the year	(561)	(92,736)
At 31 December	—	—

The amortisation of licensing fee, trademarks, proprietary technology and development costs is included in “depreciation and amortisation expense” in the consolidated statement of profit or loss and other comprehensive income.

Impairment

The impairment on intangible assets were made as the Group continued to incur operating losses and the future cash flow from the utilisation of these intangible assets remains uncertain. Accordingly, the Group and the company have recognised impairment losses on intangible assets of \$34,390 and \$16,707 respectively during the year (2018: \$866,211 and \$580,700 respectively).

8 Non-controlling Interests

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

Names of subsidiaries	Principal place of business/Country of incorporation	Ownership interests held by NCI	
		2019 %	2018 %
Elo Water Pte. Ltd.	Singapore	30	30
Elo Siloam Pte. Ltd.	Singapore	30	30
Elomart Taiwan Limited (formerly known as Hyfluxshop Taiwan Ltd.)	Taiwan	40	40

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

	Elo Water Pte. Ltd. \$	Elo Siloam Pte. Ltd. \$	Elomart Taiwan Limited (formerly known as Hyfluxshop Taiwan Ltd.) \$	Total \$
2019				
Revenue for the period	1,484,066	634,832	119,445	
(Losses)/Profit for the year	(6,015,984)	(1,935,554)	37,521	
Total comprehensive income/(losses)				
Attributable to NCI:				
- (Losses)/Profit	(1,804,795)	(580,666)	15,008	(2,370,453)
- Total comprehensive (losses)/income	(1,804,795)	(580,666)	15,008	(2,370,453)
Current assets	919,171	357,484	516,991	
Non-current liabilities	(1,185,909)	(2,141,114)	–	
Current liabilities	(33,141,529)	(3,668,290)	(52,889)	
Net (liabilities)/assets	(33,408,267)	(5,451,920)	464,102	
Net (liabilities)/assets attributable to NCI	(10,022,480)	(1,635,576)	185,641	(11,472,415)

Multi Water Holdings Ltd.
(formerly known as Hyfluxshop Holdings Ltd.)
and its subsidiaries
Financial statements
Year ended 31 December 2019

	Elo Water Pte. Ltd. \$	Elo Siloam Pte. Ltd. \$	Elomart Taiwan Limited (formerly known as Hyfluxshop Taiwan Ltd.) \$	Total \$
2018				
Revenue (Oct – Dec 2017)	399,698	111,174	–	
Revenue for the period	1,877,192	401,318	21,031	
Losses (Oct – Dec 2017)	(1,491,843)	(282,708)	(3,190)	
Losses for the period	(9,778,536)	(2,846,306)	(21,986)	
Total comprehensive income/(losses)				
Attributable to NCI:				
– Losses (Oct – Dec 2017)	(447,553)	(84,813)	(1,276)	(533,642)
– Losses	(2,933,561)	(853,892)	(8,794)	(3,796,247)
– Total comprehensive (losses)/income	(3,381,114)	(938,705)	(10,070)	(4,329,889)
Non-current assets	2	–	–	
Current assets	2,379,281	69,737	438,994	
Non-current liabilities	(21,233,000)	(1,606,000)	–	
Current liabilities	(8,628,841)	(1,980,103)	(18,323)	
Net (liabilities)/assets	(27,482,558)	(3,516,366)	420,671	
Net (liabilities)/assets attributable to NCI	(8,244,767)	(1,054,910)	168,268	(9,131,409)

	Elo Water Pte. Ltd. \$	Elo Siloam Pte. Ltd. \$	Elomart Taiwan Limited (formerly known as Hyfluxshop Taiwan Ltd.) \$
2019			
Cash flows from operating activities	(154,011)	400,801	66,101
Cash flows from investing activities	(890,835)	(162,504)	–
Cash flows from financing activities (dividends to NCI: Nil)	866,926	(75,544)	–
Net (decrease)/increase in cash and cash equivalents	(177,920)	162,753	66,101
2018			
Cash flows from operating activities	(7,200,213)	(1,139,838)	(200,607)
Cash flows from investing activities	462,925	(708,126)	–
Cash flows from financing activities (dividends to NCI: Nil)	6,233,000	1,053,905	401,257
Net (decrease) increase in cash and cash equivalents	(504,288)	(794,059)	200,650

9 Associates

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Interests in associate	10,931,338	10,931,338	10,987,000	10,987,000
Less: Impairment losses recognised	(10,931,338)	(10,931,338)	(10,987,000)	(10,987,000)
	—	—	—	—

The Company has acquired 30% of the voting shares of Kaqun Europe Kereskedelmi, on 31 December 2017, its principal activities are retail sale of drinking water and beauty products to end consumers. The consideration for the acquisition was \$10,987,000.

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

	Kaqun	
	2019	2018
	\$	\$
Revenue	32,352	85,891
Loss from continuing operations	(380,326)	(185,540)
Total comprehensive income	(380,326)	(185,540)
Attributable to investee's shareholders	(380,326)	(185,540)
Non-current assets	1,954,096	2,163,823
Current assets	7,912,272	8,682,264
Non-current liabilities	(2,111)	(135,820)
Current liabilities	(391,522)	(8,274,704)
Net assets	9,472,735	2,435,563
Attributable to investee's shareholders	9,472,735	2,435,563

Group's interest in net assets of investee at beginning of the year

Group's share of:	—	—
- profit (loss) from continuing operations	—	(55,662)
- total comprehensive income	—	(55,662)
Carrying amount of interest in associate	10,931,338	10,987,000
Carrying amount of interest in associate impaired during the year	(10,931,338)	(10,931,338)
Carrying amount of interest in investee at end of the year	—	—

Unrecognised share of losses

The Group has not equity accounted for the results of Kaqun Europe Kereskedelmi loss for the year of \$114,098 since the Group's investment in the associates has been fully written down and the Group has no obligation in respect of these losses.

10 Long-term Receivables

The long-term receivables in 2018 due from subsidiaries amounting to \$21,666,250 bear interest at rates ranging from 5.2% to 6.3% per annum, have a fixed term of repayment of 5 years and are not expected to be repaid within the next 12 months. As these amounts are, in substance, a part of the entity's net interest in the subsidiaries, they are stated at cost less impairment.

During the financial year in 2018, the Company had made a full impairment of the long-term receivables due from subsidiaries as the amount recoverable from these subsidiaries remains uncertain.

11 Inventories

	Group	
	2019	2018
	\$	\$
Raw materials and consumables	848,610	976,159
Finished goods	390,973	2,169,684
	1,239,583	3,145,843

Inventories of \$795,925 (2018: \$2,024,884) were recognised as an expense during the period and included in "raw materials and consumables".

12 Trade and Other Receivables

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade receivables	295,870	486,998	—	—
Other receivables and deposits	814,433	524,678	26,657	17,777
Amounts due from:				
- Related parties	236	—	—	—
	1,110,539	1,011,676	26,657	17,777

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

13 Trade and Other Payables

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade payables	1,121,312	1,319,700	202,791	132,694
Other payables and accruals	1,100,340	935,673	154,409	477,119
Amounts due to:				
- Subsidiaries	—	—	—	4,743
- Related parties	1,803,764	1,746,237	828,633	722,655
	<u>4,025,416</u>	<u>4,001,610</u>	<u>1,185,833</u>	<u>1,337,211</u>

Outstanding balances to the related parties are non-trade related, unsecured, interest-free and repayable on demand.

Information about the Group's and the Company's exposures to liquidity risk related to amounts due to related parties are included in Note 22.

14 Shareholder's loan

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Shareholder's loan	<u>1,300,000</u>	<u>382,172</u>	<u>1,300,000</u>	<u>—</u>

The shareholder's loan is interest bearing loan of 2% interest per annum, in the agreement there is no fixed repayment terms nor does it have a predetermined final maturity date.

15 Share Capital

	2019	Group and company		2018
	No. of	2018	2019	2018
	ordinary	No. of	No. of	No. of
	shares	ordinary	preference	preference
		shares	shares	shares
In issue at 1 January	112,183,568	2	20,000,000	—
Issued during the year	<u>75,322,848</u>	<u>112,183,566</u>	<u>—</u>	<u>20,000,000</u>
In issue at 31 December	<u>187,506,416</u>	<u>112,183,568</u>	<u>20,000,000</u>	<u>20,000,000</u>

All ordinary shares rank equally with regard to the Company's residual assets. All ordinary shares issued are fully paid, with no par value.

During the year, the Company raised additional equity by way of a private placement to various investors in first half of 2019 and a right issues to the existing shareholders in second half of 2019, an aggregate of 75,322,848 ordinary shares were allotted and issued at an aggregate issue price of \$6,932,561.

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.

In February 2018, 20,000,000 Class A Cumulative Non-Convertible Non-Voting preference shares were issued in consideration of the capitalisation of \$20,000,000, being the amount owing by the Group to Hyflux Limited. Class A Cumulative Non-Convertible Non-Voting preference shares are entitled to cumulative dividends payable semi-annually and are redeemable at the option of the Company. They are ranked above the ordinary shares but are not entitled to attend and vote at General Meetings.

16 Reserves

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue reserves	(35,304,612)	(27,990,842)	(42,894,731)	(37,611,369)
Translation reserves	759,503	766,166	—	—
	<u>(34,545,109)</u>	<u>(27,224,676)</u>	<u>(42,894,731)</u>	<u>(37,611,369)</u>

Translation reserve

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

17 Revenue

	Group	
	2019	Period from 16/8/2017 (date of incorporation) to 31/12/2018
	\$	\$
Sales of goods	4,251,935	7,002,060
Service income	521,133	544,466
	<u>4,773,068</u>	<u>7,546,526</u>

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

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

Disaggregation of revenue

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

	2019	Group Period from 16/8/2017 (date of incorporation) to 31/12/2018
	\$	\$
Primary geographical markets		
Singapore	3,960,326	6,563,229
Malaysia	595,956	345,299
China and Taiwan	129,845	352,445
Hong Kong	65,455	152,673
Others	21,486	132,880
	<u>4,773,068</u>	<u>7,546,526</u>

Contract balances

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

	Group	
	2019	2018
	\$	\$
Trade receivables	295,870	486,998
Contract liabilities	<u>(467,818)</u>	<u>(382,172)</u>

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

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

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

18 Other Income

	Group	
	Period from	
	16/8/2017	
	(date of	
	incorporation)	
	to 31/12/2018	
	2019	2018
	\$	\$
Interest income	345	107,739
Other income	<u>226,883</u>	<u>83,496</u>
	<u><u>227,228</u></u>	<u><u>191,235</u></u>

19 Staff Costs

	Group	
	Period from	
	16/8/2017	
	(date of	
	incorporation)	
	to 31/12/2018	
	2019	2018
	\$	\$
Salaries and bonuses	3,140,369	4,800,676
Contributions to defined contribution plans	296,292	493,076
Other personnel expenses	<u>192,831</u>	<u>78,465</u>
	<u><u>3,629,492</u></u>	<u><u>5,372,217</u></u>

20 Other Expenses

	Group	Period from
		16/8/2017
		(date of
		incorporation)
	2019	to 31/12/2018
	\$	\$
Impairment of property, plant and equipment	5,527,654	3,380,042
Impairment of intangible assets	34,390	866,211
Impairment of investment in associates	—	10,931,338
Impairment of trade and other receivables	—	1,953,354
Loss on disposal of property, plant and equipment	—	630,051
Rental expenses	312,919	1,172,360
Marketing expenses	894,076	1,026,011
Inventory write-offs	—	452,926

21 Tax Expense

	Group	Period from
		16/8/2017
		(date of
		incorporation)
	Year ended	to 31/12/2018
	31/12/2019	\$
	\$	\$
<i>Reconciliation of effective tax rate</i>		
Loss before tax	(9,652,413)	(30,412,283)
Tax using the Singapore tax rate of 17%	(1,640,910)	(5,170,088)
Effect of different tax rates in foreign jurisdictions	(39,215)	(116,739)
Non-deductible expenses	129,148	389,173
Current-period losses for which no deferred tax asset is recognised	635,929	1,548,794
Change in unrecognised temporary differences	928,660	3,409,581
Tax exempt income	(8,570)	(3,599)
Tax incentives and rebates	(5,042)	(57,122)

Unrecognised deferred tax assets

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

	Group	Period from
		16/8/2017
		(date of
	Year ended	incorporation)
	31/12/2019	to 31/12/2018
	\$	\$
Tax losses	<u>14,573,259</u>	<u>9,110,553</u>

Tax losses carried forward

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

22 Financial Instruments

Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

Credit risk

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

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

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

	Group		Company	
	2019	Period from 16/8/2017 (date of incorporation) to 31/12/2018	2019	Period from 16/8/2017 (date of incorporation) to 31/12/2018
	\$	\$	\$	\$
Impairment loss on trade receivables and long-term receivables	—	1,953,354	—	30,988,387

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	
	2019	2018
	\$	\$
Singapore	761,060	866,753
Malaysia	28,662	36,399
China and Taiwan	263,002	60,568
Hong Kong	13,936	36,812
Others	43,879	11,144
	<u>1,110,539</u>	<u>1,011,676</u>

Trade receivables

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

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

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

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

Expected credit loss assessment

The Group uses an allowance matrix to measure the lifetime ECLs of trade receivables, which comprise large value of homogenous customers. The following table provides information about the exposure to credit risk and ECLs for trade receivables and amount due from related parties for individual customers as at 31 December 2019:

	Gross carrying amount \$	Impairment loss \$	Net carrying amount \$
2019			
Current (not past due)	130,014	–	130,014
1 – 30 days past due	122,260	–	122,260
31 – 60 days past due	13,613	–	13,613
61 – 90 days past due	4,568	–	4,568
More than 90 days past due	25,415	–	25,415
Total	<u>295,870</u>	<u>–</u>	<u>295,870</u>
2018			
Current (not past due)	1,113,519	(763,948)	349,571
1 – 30 days past due	42,655	(1,425)	41,230
31 – 60 days past due	31,635	(558)	31,077
61 – 90 days past due	13,820	(839)	12,981
More than 90 days past due	1,238,723	(1,186,584)	52,139
Total	<u>2,440,352</u>	<u>(1,953,354)</u>	<u>486,998</u>

Amounts due from related parties

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

Impairment on amounts due from related parties has been measured on the 12-month expected loss basis. As at 31 December 2018, certain of its related parties were undergoing a court supervised process to reorganise their liabilities and businesses. The recoverability of the amounts due from these related parties were subjected to significant uncertainties as such management had written off the full amounts due from related parties of \$1,953,354 in 2018.

Long-term receivables - due from subsidiaries

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

The Company's ability to provide the subsidiaries the necessary financial support is dependent on the ability of the Group and the Company to continue in operation in the foreseeable future as per Note 2. As the outcome cannot be established, the valuations of the amounts due from subsidiaries are subject to significant uncertainties. Accordingly, the Company had written off the full amounts due from subsidiaries of \$30,988,387 as at 31 December 2018.

Other receivables

Other receivables are short-term in nature. Impairment on other receivables has been measured at an amount equal to 12-month ECLs and reflects the short maturities of repayment. The Group and Company consider the credit risk of other receivables have not increased significantly since initial recognition and the amount of the allowance on other receivables is insignificant.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of \$7,869,671 and \$4,954,398 respectively as at 31 December 2019. These figures represent their maximum credit exposures on these assets. Cash and cash equivalents are placed with financial institution counterparties, which is rated AA-, based on Standard & Poor's rating.

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

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.

Exposure to liquidity risk

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

	Carrying amount \$	Contractual cash flows \$	Within 1 year or less \$
Group			
2019			
Non-derivative financial liabilities			
Trade and other payables	2,221,652	(2,221,652)	(2,221,652)
Amounts due to related parties	1,803,764	(1,803,764)	(1,803,764)
2018			
Non-derivative financial liabilities			
Trade and other payables	2,255,373	(2,255,373)	(2,255,373)
Amounts due to related parties	1,746,237	(1,746,237)	(1,746,237)
Company			
2019			
Non-derivative financial liabilities			
Trade and other payables	357,200	(357,200)	(357,200)
Amounts due to subsidiaries and related parties	828,633	(828,633)	(828,633)
2018			
Non-derivative financial liabilities			
Trade and other payables	609,813	(609,813)	(609,813)
Amounts due to subsidiaries and related parties	727,398	(727,398)	(727,398)

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

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

Market risk

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

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

Capital management

The Board of Directors set and monitor the capital management of the Group. Capital consist of total equity. The Board of Directors seeks to maintain an adequate amount of capital for the operations of the Group, with a mix of share capital and advances suitable for the needs of the Group.

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

The Group is not subject to externally imposed capital requirements.

Accounting classifications and fair values

Fair values versus carrying amounts

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

	Amortised cost \$	Other financial liabilities \$	Total \$
Group			
31 December 2019			
Trade and other receivables*	815,401	–	815,401
Cash and cash equivalents	7,869,671	–	7,869,671
	<u>8,685,072</u>	<u>–</u>	<u>8,685,072</u>
Trade and other payables	–	2,221,652	2,221,652
Amounts due to related parties	–	1,803,764	1,803,764
	<u>–</u>	<u>4,025,416</u>	<u>4,025,416</u>
31 December 2018			
Trade and other receivables*	938,532	–	938,532
Cash and cash equivalents	3,870,180	–	3,870,180
	<u>4,808,712</u>	<u>–</u>	<u>4,808,712</u>
Trade and other payables	–	2,255,373	2,255,373
Amounts due to related parties	–	1,746,237	1,746,237
	<u>–</u>	<u>4,001,610</u>	<u>4,001,610</u>
Company			
31 December 2019			
Trade and other receivables*	26,657	–	26,657
Cash and cash equivalents	4,954,398	–	4,954,398
	<u>4,981,055</u>	<u>–</u>	<u>4,981,055</u>
Trade and other payables	–	357,200	357,200
Amounts due to subsidiaries and related parties	–	828,633	828,633
	<u>–</u>	<u>1,185,833</u>	<u>1,185,833</u>
31 December 2018			
Trade and other receivables*	957	–	957
Cash and cash equivalents	214,337	–	214,337
	<u>215,294</u>	<u>–</u>	<u>215,294</u>
Trade and other payables	–	609,813	609,813
Amounts due to subsidiaries and related parties	–	727,398	727,398
	<u>–</u>	<u>1,337,211</u>	<u>1,337,211</u>

* Excludes prepayments and advance to suppliers

23 Related Parties

Key management personnel compensation comprises:

	Group	Period from
		16/8/2017
		(date of
		incorporation)
	2019	to 31/12/2018
	\$	\$
Short-term employee benefits	875,802	785,602

Other related party transactions

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

	Group	Period from
		16/8/2017
		(date of
		incorporation)
	2019	to 31/12/2018
	\$	\$
Related parties		
- Purchase of goods	281,523	363,796
- Sales of goods	5,659	349,798
- Rental and utilities	76,815	981,270
- Corporate services	—	120,308
- Interest expenses	115	109,149
Associate		
- Sales of goods	46,915	135,497
- Royalty fee	13,600	20,725

24 Leases

Leases as lessee (FRS 116)

The Company leases warehouse and factory facilities. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Company is restricted from entering into any sub-lease arrangements.

The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under FRS 17.

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

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 4).

	Leasehold improvement	Motor vehicles	Total
	2019	2019	2019
	\$	\$	\$
Balance at 1 January	2,425,949	48,493	2,474,442
Additions to right-of-use assets	2,336,068	–	2,336,068
Impairment for the year	(4,762,017)	(48,493)	(4,810,510)
Balance at 31 December	–	–	–

Amounts recognised in profit or loss

	\$
2019 – Leases under FRS 116	
Interest on lease liabilities	<u>163,227</u>
Period from 16/8/2017 (date of incorporation) to 31/12/2018	
– Operating leases under FRS 17	
Lease expense	<u>1,326,836</u>

Amounts recognised in statement of cash flows

	2019
	\$
Total cash outflow for leases	<u>(994,413)</u>

Extension options

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

The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of \$4,794,319.

25 Comparative Figures

The Group and the Company prepared its first financial statements from 16 August 2017 (date of incorporation) to 31 December 2018. Accordingly, the comparative figures for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes are not entirely comparable.

26 Subsequent Events

At the date of finalisation of the annual financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements. However, the COVID-19 outbreak is a material subsequent non-adjusting event that requires disclosure in the financial statements.

For the Group's 31 December 2019 financial statements, the COVID-19 outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Group cannot reasonably estimate the impact of these events will have on the Group's financial position, results of operations or cash flows in the future.