

# FINANCIAL STATEMENT 2018



**Hyfluxshop Holdings Ltd**  
Company Registration No. 201723246Z

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

Annual Report  
Period from 16 August 2017 (date of incorporation) to  
31 December 2018

## Directors' Statement

We are pleased to submit this annual report to the members of the Company for the financial period from 16 August 2017 (date of incorporation) to 31 December 2018.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS41 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 2018 and the financial performance, changes in equity and cash flows of the Group for the period from 16 August 2017 (date of incorporation) to 31 December 2018 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 successful completion of the rights issue to existing shareholders, which its major shareholder has undertaken to subscribe in proportion to her shareholdings in the Company, as set out 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      | (Appointed on 14 May 2018)     |
| LIM Sau Hoong    | (Appointed on 5 February 2018) |
| CHONG Chiet Ping | (Appointed on 1 April 2019)    |

## Change of Company Name

During the financial period, the Company changed its name from Hyfluxshop Holdings Pte. Ltd. to Hyfluxshop Holdings Ltd., consequence upon a conversion from a private limited company to public limited company, on 12 February 2018.

## 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 period (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:

**Hyfluxshop Holdings Ltd.**  
*(formerly known as Hyfluxshop Holdings Pte. Ltd.)*  
*and its subsidiaries*  
*Directors' statement*  
*Period from 16 August 2017 (date of incorporation) to 31 December 2018*

| Name of director and corporation in which interests are held | Direct interest   |                               | Deemed interest   |                               |
|--|---|-------------------------------|---|-------------------------------|
|  | Holdings at beginning of the period/date of appointment | Holdings at end of the period | Holdings at beginning of the period/date of appointment | Holdings at end of the period |
| <b>The Company</b>   |   |                               |   |                               |
| <u>Ordinary Shares</u>                                       |   |                               |   |                               |
| LUM Ooi Lin  | 51,332,944  | 51,332,944                    | 34,095,074  | 34,095,074                    |
| <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 date of appointment and at the end of the financial period.

Except as disclosed in this statement, no director who held office at the end of the financial period 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 period, or date of appointment if later, or at the end of the financial period.

Neither at the end of, nor at any time during the financial period, 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 period, 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 period, there were no unissued shares of the Company under option.

**Auditors**

Pursuant to a Directors' resolution dated 17 October 2017, KPMG LLP were appointed as auditors of the Company. The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

**LUM Ooi Lin**  
*Director*

**LIM Sau Hoong**  
*Director*

7 August 2019

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## Independent Auditors' Report

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

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Hyfluxshop Holdings Ltd. (formerly known as Hyfluxshop Holdings Pte. 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 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the period from 16 August 2017 (date of incorporation) to 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS41.

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 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the period from 16 August 2017 (date of incorporation) to 31 December 2018.

#### *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 \$30,412,283 for the period. Furthermore, the Group and the Company are not expecting to generate net positive operating cashflows in the next twelve months. The Group and the Company raised additional liquidity subsequent to year-end by a private placement to its major shareholder which was completed on 27 May 2019 as set out in Note 25. Further financing is planned as set out in Note 2, however, it remains uncommitted as at the date of our report. In addition, the related party that has provided a \$1,746,237 loan to the Group as at 31 December 2018 has committed not to require repayment for at least twelve months from the date of these financial statements as set out in Note 2.

As a result, the financial statements for the period ended 31 December 2018 have been prepared on a realisation basis. The carrying value of the assets as at 31 December 2018 are presented at the lower of amortised cost or the estimated net realisable values and all liabilities are presented at estimated settlement amounts.

*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.

- 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**  
7 August 2019

**Hyfluxshop Holdings Ltd.**  
(formerly known as Hyfluxshop Holdings Pte. Ltd.)  
and its subsidiaries  
Financial statements

Period from 16 August 2017 (date of incorporation) to 31 December 2018

**Statements of financial position**  
**As at 31 December 2018**

|                                  | Note | Group<br>2018<br>\$ | Company<br>2018<br>\$ |
|----------------------------------|------|---------------------|-----------------------|
| <b>Assets</b>                    |      |                     |                       |
| Property, plant and equipment    | 6    | –                   | –                     |
| Intangible assets                | 7    | –                   | –                     |
| Associates                       | 9    | –                   | –                     |
| Long-term receivables            | 10   | –                   | –                     |
| Subsidiaries                     | 5    | –                   | 3,493,730             |
| Inventories                      | 11   | 3,145,843           | –                     |
| Trade and other receivables      | 12   | 1,011,676           | 17,777                |
| Cash and cash equivalents        |      | 3,870,180           | 214,337               |
| <b>Total current assets</b>      |      | <u>8,027,699</u>    | <u>3,725,844</u>      |
| <b>Liabilities</b>               |      |                     |                       |
| Trade and other payables         | 13   | 4,001,610           | 1,337,211             |
| Contract liabilities             |      | 382,172             | –                     |
| <b>Total current liabilities</b> |      | <u>4,383,782</u>    | <u>1,337,211</u>      |
| <b>Net current assets</b>        |      | <u>3,643,917</u>    | <u>2,388,633</u>      |
| <b>Equity</b>                    |      |                     |                       |
| Share capital                    | 14   | 40,000,000          | 40,000,000            |
| Reserves                         | 15   | (27,224,674)        | (37,611,367)          |
| Non-controlling interests        | 8    | (9,131,409)         | –                     |
| <b>Total equity</b>              |      | <u>3,643,917</u>    | <u>2,388,633</u>      |

**Consolidated statement of profit or loss and other comprehensive income**  
**Period from 16 August 2017 (date of incorporation) to 31 December 2018**

|  | <b>Note</b> | <b>Group<br/>Period from<br/>16/8/2017<br/>(date of<br/>incorporation)<br/>to 31/12/2018<br/>\$</b> |
|--|-------------|---|
| Revenue  | 16          | 7,546,526   |
| Other income   | 17          | 191,235   |
| Raw materials and consumables  |             | (3,099,653)   |
| Staff costs  | 18          | (5,372,217)   |
| Depreciation and amortisation expense  | 6,7         | (2,544,574)   |
| Operating lease expense  |             | (1,814,252)   |
| Other expenses   | 19          | (24,945,355)  |
| Finance cost   |             | (318,331)   |
| Share of losses of equity-accounted investees  | 9           | (55,662)  |
| <b>Loss before tax</b>   |             | <b>30,412,283</b>   |
| Tax credit   | 20          | —   |
| <b>Loss after tax</b>  |             | <b>(30,412,283)</b>   |
| <br><b>Loss attributable to:</b>   |             |   |
| Owner of the company   |             | (26,082,394)  |
| Non-controlling interests  |             | (4,329,889)   |
| <b>Loss for the period</b>   |             | <b>(30,412,283)</b>   |
| <br><b>Items that are or may be reclassified subsequently<br/>to profit or loss:</b> |             |   |
| Foreign currency translation differences - foreign operations                        |             | (19,242)  |
|  |             | (19,242)  |
| <b>Other comprehensive income for the period,<br/>net of tax</b>                     |             | <b>(19,242)</b>   |
| <b>Total comprehensive income for the period</b>                                     |             | <b>(30,413,525)</b>   |
| <br><b>Total comprehensive loss attributed to:</b>                                   |             |   |
| Owner of the company   |             | (26,104,305)  |
| Non-controlling interests  |             | (4,327,220)   |
| <b>Total comprehensive loss for the period</b>                                       |             | <b>(30,413,525)</b>   |

**Consolidated statement of changes in equity  
Period from 16 August 2017 (date of incorporation) to 31 December 2018**

|  | Note | Attributable to owners of the Company |                           |                       |              |                                 | Total equity<br>\$ |
|--|------|---------------------------------------|---------------------------|-----------------------|--------------|---------------------------------|--------------------|
|  |      | Share capital<br>\$                   | Translation reserve<br>\$ | Revenue reserve<br>\$ | Total<br>\$  | Non-controlling interests<br>\$ |                    |
| <b>Group</b>   |      |                                       |                           |                       |              |                                 |                    |
| At 16 August 2017 (date of incorporation)                      |      | 20,000,000                            | –                         | –                     | 20,000,000   | –                               | 20,000,000         |
| Arising from acquisition of subsidiaries under common control  |      | –                                     | 788,079                   | (1,908,448)           | (1,120,369)  | (4,804,189)                     | (5,924,558)        |
| At 1 October 2017  |      | 20,000,000                            | 788,079                   | (1,908,448)           | 18,879,631   | (4,804,189)                     | 14,075,442         |
| <b>Total comprehensive income for the period</b>               |      |                                       |                           |                       |              |                                 |                    |
| Loss for the period  |      | –                                     | –                         | (26,082,394)          | (26,082,394) | (4,329,889)                     | (30,412,283)       |
| <b>Other comprehensive income</b>                              |      |                                       |                           |                       |              |                                 |                    |
| Foreign currency translation differences                       |      | –                                     | (21,911)                  | –                     | (21,911)     | 2,669                           | (19,242)           |
| <b>Total other comprehensive income</b>                        |      | –                                     | (21,911)                  | –                     | (21,911)     | 2,669                           | (19,242)           |
| <b>Total comprehensive income for the period</b>               |      | –                                     | (21,911)                  | (26,082,394)          | (26,104,305) | (4,327,220)                     | (30,431,525)       |
| <b>Transactions with owners, recognised directly in equity</b> |      |                                       |                           |                       |              |                                 |                    |
| <b>Contributions by and distributions to owners</b>            |      |                                       |                           |                       |              |                                 |                    |
| Issue of preference shares                                     |      | 20,000,000                            | –                         | –                     | 20,000,000   | –                               | 20,000,000         |
| <b>Total transactions with owners</b>                          |      | 20,000,000                            | –                         | –                     | 20,000,000   | –                               | 20,000,000         |
| <b>At 31 December 2018</b>                                     |      | 40,000,000                            | 766,168                   | (27,990,842)          | 12,775,326   | (9,131,409)                     | 3,643,917          |

*Period from 16 August 2017 (date of incorporation) to 31 December 2018*

**Consolidated statement of cash flows**  
**Period from 16 August 2017 (date of incorporation) to 31 December 2018**

|  | <b>Note</b> | <b>Group<br/>Period from<br/>16/8/2017<br/>(date of<br/>incorporation)<br/>to 31/12/2018<br/>\$</b> |
|--|-------------|---|
| <b>Cash flows from operating activities</b>                      |             |   |
| Loss for the period  |             | (30,412,283)  |
| Adjustments for:   |             |   |
| Depreciation   | 6           | 2,428,330   |
| Amortisation of intangible assets                                | 7           | 128,931   |
| Interest income  |             | (107,739)   |
| Impairment of property, plant and equipment                      | 6, 19       | 3,380,042   |
| Loss from disposal of property, plant and equipment              |             | 630,051   |
| Impairment of intangible assets                                  | 7           | 866,211   |
| Inventory written off  | 11          | 452,926   |
| Impairment of investment in associates                           | 9, 19       | 10,931,338  |
| Impairment of trade and other receivables                        |             | 1,953,354   |
| Unrealised foreign exchange loss/(gain)                          |             | 124,046   |
| Interest expense   |             | 318,331   |
| Share of loss of equity-accounted investees, net of tax          | 9           | 55,662  |
|  |             | <u>(9,250,800)</u>  |
| Changes in:  |             |   |
| Inventories  |             | (3,598,769)   |
| Trade and other receivables                                      |             | 393,614   |
| Trade and other payables   |             | 639,262   |
| Change in amounts due to related parties                         |             | 411,563   |
| <b>Net cash used in operating activities</b>                     |             | <u>(11,405,130)</u>   |
| <b>Cash flows from investing activities</b>                      |             |   |
| Acquisition of property, plant and equipment                     |             | (1,531,914)   |
| Acquisition of intangible assets                                 | 7           | (285,566)   |
| Interest income received   |             | 95,267  |
| Acquisition of subsidiaries and associates, net of cash acquired | 22          | (3,002,477)   |
| <b>Net cash used in investing activities</b>                     |             | <u>(4,724,690)</u>  |
| <b>Cash flows from financing activity</b>                        |             |   |
| Proceeds from issue of share capital                             |             | 20,000,000  |
| <b>Net cash from financing activity</b>                          |             | <u>20,000,000</u>   |

**Hyfluxshop Holdings Ltd.**  
*(formerly known as Hyfluxshop Holdings Pte. Ltd.)*  
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*Period from 16 August 2017 (date of incorporation) to 31 December 2018*

**Consolidated statement of cash flows (cont'd)**  
**Period from 16 August 2017 (date of incorporation) to 31 December 2018**

|   | <b>Group</b><br><b>Period from</b><br><b>16/8/2017</b><br><b>(date of</b><br><b>incorporation)</b><br><b>to 31/12/2018</b><br><b>\$</b> |
|---|---|
| <b>Net increase in cash and cash equivalents</b>  | 3,870,180   |
| Cash and cash equivalents at 16 August 2017       | –   |
| Effect of exchange rate fluctuations on cash held | –   |
| <b>Cash and cash equivalents at 31 December</b>   | <u>3,870,180</u>  |

***Significant non-cash transaction***

Please refer to Note 14 for details of the significant non-cash transaction entered into by the Group during the period.

## 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 7 August 2019.

### 1 Domicile and Activities

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

On 1 October 2017, following a restructuring exercise under common control, the Company became the holding company of the following entities (together referred to as the “Group” and individually as “Group entities”):

- Elo Living Pte Ltd;
- Elomart Pte Ltd;
- Elo Water Pte Ltd;
- Elo Siloam Pte Ltd;
- Elo Commercial Trade (Shanghai) Co., Ltd;
- Elowater Malaysia Sdn Bhd;
- Hyfluxshop Korea Ltd; and
- Hyfluxshop Taiwan Ltd

The Company was previously a subsidiary of Hyflux Ltd, upon the completion of the general offer by a major shareholder on 23 April 2018, the Group ceased to be a subsidiary of Hyflux Ltd. Hyflux Ltd continues to hold 30.4% shareholding in the Company. Hyflux Ltd and its subsidiaries are referred to as related parties of the Group.

The financial statements of the Group as at and for the period ended 31 December 2018 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 \$30,412,283 for the period. Furthermore, the Group is not expecting to generate net positive operating cashflow in the next 12 months. The Group and the Company raised additional liquidity subsequent to year end by a private placement to its major shareholder which was completed on 27 May 2019 as set out in Note 25.



Notwithstanding the above, the Group has a plan in place to raise further financing by a planned rights issue and:

- (i) the Group is confident of completing the rights issue to its existing shareholders to raise sufficient funds, which its major shareholder has undertaken to subscribe in proportion to her shareholdings in the Company;
- (ii) if the Group is successful in raising sufficient funds, the Group is confident that it will be able to generate sufficient operating net cash inflows for the next twelve months to cover its operating costs; and
- (iii) the Group has no intention to cease its operation.

In addition, the related party that has provided a loan of \$1,746,237 as at 31 December 2018, as set out in Note 13, has committed to the Group not to require repayment for at least twelve months from the date of these financial statements.

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 period ended 31 December 2018 have been prepared on a realisation basis. The carrying value of the assets as at 31 December 2018 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").

#### **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:

- Notes 2 and 26 – 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 21 – 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 21.

## **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. The Group early adopted FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* from 16 August 2017 (date of incorporation).

#### 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 period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

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 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.

**4.5 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.

#### 4.6 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.

#### 4.7 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.

#### 4.8 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) Other long-term employee benefits**

The Group has implemented a Retention Bonus (“RB”) programme for selected employees in the Group. The RB was a programme which was leveraged from the former holding company, Hyflux Ltd when the staff were transferred from Hyflux Ltd to the Group. The purpose is to retain talent and recognise their exemplary performance towards the success of the Group. The amount is subjected to prevailing CPF and income tax regulations. Employees will not be eligible if they have tendered resignation, or are serving notice of termination of service, or have been served notice of termination of service, or whose service ceases on or before the disbursement date. The Group reserves the right at any time to change, modify, vary, amend, alter or cease any part of RB where the Group deems fit.

##### **(iii) 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.

#### 4.9 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.

#### 4.10 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.

#### 4.11 Interest income

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

#### 4.12 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.

#### 4.13 New standards and interpretations not adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 16 August 2017 and earlier application is permitted.

The following new FRSs, interpretations and amendments to FRSs that are effective for annual periods beginning after 16 August 2017 that were not early adopted by the Group and are relevant to the Group are:

##### **Applicable to 2019 financial statements**

- FRS 116 *Leases*;
- INT FRS 123 *Uncertainty over Income Tax Treatments*.

The Group is still in the process of assessing the impact of the new FRS, amendments to and interpretations of FRS on the financial statements.

## **FRS 116**

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 April 2019, with early adoption permitted.

The Group plan to apply FRS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information. The Group plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply FRS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

### **The Group and the Company as lessee**

The Group expect to measure lease liabilities by applying a single discount rate to their portfolio of warehouse and facilities leases. Furthermore, the Group are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 April 2019. For lease contracts that contain the option to renew, the Group are expected to use hindsight in determining the lease term.

The Group is still in the process of assessing the impact of FRS 16, which is expected to have a more significant impact on the Group.



## 5 Subsidiaries

|                                     | <b>Company<br/>2018<br/>\$</b> |
|-------------------------------------|--------------------------------|
| Unquoted equity securities, at cost | 7,329,195                      |
| Less: Allowance for impairment      | (3,835,465)                    |
|                                     | 3,493,730                      |

Details of the subsidiaries are as follows:

| Names of subsidiaries                    | Principal place of<br>business/Country of<br>incorporation | Ownership<br>interests<br>2018<br>% |
|--|--|-------------------------------------|
| Elo Living Pte Ltd                       | Singapore  | 100                                 |
| Elomart Pte Ltd                          | Singapore  | 100                                 |
| Elo Commercial Trade (Shanghai) Co., Ltd | Shanghai   | 100                                 |
| Elowater Malaysia Sdn Bhd                | Malaysia   | 100                                 |
| Hyfluxshop Korea Ltd                     | Korea  | 100                                 |
| Elo Water Pte Ltd                        | Singapore  | 70                                  |
| Elo Siloam Pte Ltd                       | Singapore  | 70                                  |
| Hyfluxshop Taiwan Ltd                    | Taiwan   | 60                                  |

The impairment on investments in subsidiaries was triggered because 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 \$3,493,730, which is arrived based on the net assets of these subsidiaries. Accordingly, the Company recognised an impairment loss on investments in subsidiaries of \$3,835,465 during the period.

### 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

| Group   | Leasehold improvements | Machinery equipment | Office equipment | Computers and software | Furniture and fittings | Construction-in-progress | Total       |
|---|------------------------|---------------------|------------------|------------------------|------------------------|--------------------------|-------------|
| Cost  | \$                     | \$                  | \$               | \$                     | \$                     | \$                       | \$          |
| Balance b/f arising from acquisition of subsidiaries under common control | 1,753,316              | 2,878,510           | 354,129          | 512,293                | 238,930                | 618,131                  | 6,355,309   |
| Additions   | 578,443                | 38,409              | 64,140           | 40,128                 | 108,820                | 1,003                    | 830,943     |
| Disposal  | –                      | –                   | –                | –                      | (415)                  | (195,313)                | (195,728)   |
| Transfer  | 53,167                 | 50,939              | 3,310            | 27,150                 | –                      | (134,566)                | –           |
| 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   |
| <b>Accumulated depreciation and impairment losses</b>                     |                        |                     |                  |                        |                        |                          |             |
| Balance b/f arising from acquisition of subsidiaries under common control | (410,487)              | (658,053)           | (87,098)         | (311,972)              | (72,271)               | –                        | (1,539,881) |
| Additions   | (121,125)              | (147,720)           | (20,001)         | (28,985)               | (15,144)               | –                        | (332,975)   |
| 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) |
| <b>Carrying amounts</b>   |                        |                     |                  |                        |                        |                          |             |
| At the date of acquisition  | 1,342,829              | 2,220,457           | 267,031          | 200,321                | 166,659                | 618,131                  | 4,815,428   |
| 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   | –                      | –                   | –                | –                      | –                      | –                        | –           |

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## Impairment

The impairment on property, plant and equipment were triggered because 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 an impairment loss on property, plant and equipment of \$3,380,042 during the period.

## 7 Intangible Assets

|  | Licensing<br>fees<br>\$ | Trademarks<br>\$ | Proprietary<br>technology<br>\$ | Development<br>costs<br>\$ | Total<br>\$ |
|--|-------------------------|------------------|---------------------------------|----------------------------|-------------|
| <b>Group</b>   |                         |                  |                                 |                            |             |
| <b>Cost</b>  |                         |                  |                                 |                            |             |
| Balance b/f arising from acquisition of subsidiaries under common control as at 1 October 2017 | 57,357                  | 623,091          | 44,117                          | 487,729                    | 1,212,294   |
| Additions  | 3,330                   | 640              | 63,026                          | 3,240                      | 70,236      |
| 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   |
| <b>Accumulated amortisation</b>  |                         |                  |                                 |                            |             |
| Balance b/f arising from acquisition of subsidiaries under common control as at 1 October 2017 | 11,858                  | 10,531           | –                               | 480,329                    | 502,718     |
| Amortisation   | 1,567                   | –                | –                               | 918                        | 2,485       |
| 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 period  | 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   |
| <b>Carrying amounts</b>  |                         |                  |                                 |                            |             |
| At the date of acquisition   | 45,499                  | 612,560          | 44,117                          | 7,400                      | 709,576     |
| At 1 January 2018  | 47,262                  | 613,200          | 107,143                         | 9,722                      | 777,327     |
| At 31 December 2018  | –                       | –                | –                               | –                          | –           |

|                               | <b>Company<br/>2018<br/>\$</b> |
|-------------------------------|--------------------------------|
| <b>Trademarks</b>             |                                |
| Additions                     | 124,881                        |
| Transferred from subsidiaries | 548,555                        |
| Impairment                    | (580,700)                      |
| Amortisation for the period   | (92,736)                       |
| At 31 December 2018           | –                              |

The amortisation of licensing fee, trademarks, proprietary technology and development costs are allocated 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 triggered because 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 an impairment loss on intangible assets of \$866,211 and \$580,700 respectively during the period.

## 8 Non-controlling Interests

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

| Names of subsidiaries | Principal place of<br>business/Country of<br>incorporation | Ownership interests<br>held by NCI<br>2018<br>% |
|-----------------------|--|---|
| Elo Water Pte Ltd     | Singapore  | 30  |
| Elo Siloam Pte Ltd    | Singapore  | 30  |
| Hyfluxshop Taiwan Ltd | Taiwan   | 40  |

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

|   | Elo Water<br>Pte Ltd<br>\$ | Elo Siloam<br>Pte Ltd<br>\$ | Hyfluxshop<br>Taiwan Ltd<br>\$ | Total<br>\$ |
|---|----------------------------|-----------------------------|--------------------------------|-------------|
| <b>2018</b>   |                            |                             |                                |             |
| 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)                       |             |
| <b>Total comprehensive<br/>income/(losses)</b>          |                            |                             |                                |             |
| 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) |
| - <b>Total comprehensive<br/>(losses)/income</b>        | (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)                       |             |
| <b>Net (liabilities)/assets</b>                         | (27,482,558)               | (3,516,366)                 | 420,671                        |             |
| <b>Net (liabilities)/assets<br/>attributable to NCI</b> | (8,244,767)                | (1,054,910)                 | 168,268                        | (9,131,409) |

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|  | <b>Elo Water<br/>Pte Ltd</b> | <b>Elo Siloam<br/>Pte Ltd</b> | <b>HyfluxShop<br/>Taiwan Ltd</b> |
|--|------------------------------|-------------------------------|----------------------------------|
|  | \$                           | \$                            | \$                               |
| <b>2018</b>  |                              |                               |                                  |
| 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                          |
| <b>Net (decrease) increase in cash and cash equivalents</b>  | <u>(504,288)</u>             | <u>(794,059)</u>              | <u>200,650</u>                   |

## 9 Associate

|                                    | <b>Group<br/>2018</b> | <b>Company<br/>2018</b> |
|------------------------------------|-----------------------|-------------------------|
|                                    | \$                    | \$                      |
| Interests in associate             | 10,931,338            | 10,987,000              |
| Less: Impairment losses recognised | (10,931,338)          | (10,987,000)            |
|                                    | <u>–</u>              | <u>–</u>                |

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.

|   | <b>Kaqun<br/>2018</b> |
|---|-----------------------|
|   | \$                    |
| Revenue                                 | 85,891                |
| <b>Loss from continuing operations</b>  | (185,540)             |
| OCI                                     | –                     |
| <b>Total comprehensive income</b>       | (185,540)             |
| Attributable to investee's shareholders | <u>(185,540)</u>      |
| Non-current assets                      | 2,163,823             |
| Current assets                          | 8,682,264             |
| Non-current liabilities                 | (135,820)             |
| Current liabilities                     | (8,274,704)           |
| <b>Net assets</b>                       | 2,435,563             |
| Attributable to investee's shareholders | <u>2,435,563</u>      |

|  | <b>Kaun<br/>2018<br/>\$</b> |
|--|-----------------------------|
| <b>Group's interest in net assets of investee at beginning of the period</b> | –                           |
| Group's share of:  |                             |
| - profit (loss) from continuing operations                                   | (55,662)                    |
| - total comprehensive income   | (55,662)                    |
| Elimination of unrealised profit on downstream sales                         | –                           |
| Carrying amount of interest in associate                                     | 10,987,000                  |
| Carrying amount of interest in associate impaired during the period          | (10,931,338)                |
| <b>Carrying amount of interest in investee at end of the period</b>          | <b>–</b>                    |

## 10 Long-term Receivables

The long-term receivables 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 period, the Company has made a full impairment of the long-term receivables due from subsidiaries as the amount recoverable from these subsidiaries remains uncertain.

## 11 Inventories

|                               | <b>Group<br/>2018<br/>\$</b> |
|-------------------------------|------------------------------|
| Raw materials and consumables | 976,159                      |
| Finished goods                | 2,169,684                    |
|                               | <b>3,145,843</b>             |

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

During the period, the net write-down of inventories by the Group amounted to \$452,926.

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## 12 Trade and Other Receivables

|                                | <b>Group<br/>2018<br/>\$</b> | <b>Company<br/>2018<br/>\$</b> |
|--------------------------------|------------------------------|--------------------------------|
| Trade receivables              | 486,998                      | –                              |
| Other receivables and deposits | 524,678                      | 17,777                         |
|                                | <u>1,011,676</u>             | <u>17,777</u>                  |

Information about the Group's and the Company's exposures to credit risk related to trade and other receivables are included in Note 21.

## 13 Trade and Other Payables

|                             | <b>Group<br/>2018<br/>\$</b> | <b>Company<br/>2018<br/>\$</b> |
|-----------------------------|------------------------------|--------------------------------|
| Trade payables              | 1,319,700                    | 132,694                        |
| Other payables and accruals | 935,673                      | 477,119                        |
| Amounts due to:             |                              |                                |
| - Subsidiaries              | –                            | 4,743                          |
| - Related parties           | 1,746,237                    | 722,655                        |
|                             | <u>4,001,610</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 21.

## 14 Share Capital

|  | <b>Group and<br/>company<br/>2018<br/>No. of<br/>ordinary<br/>shares</b> | <b>Group and<br/>company<br/>2018<br/>No. of<br/>preference<br/>shares</b> |
|--|--|--|
| In issue at 16 August 2017 (date of incorporation) | 115,867,780  | –  |
| Issued during the period                           | –  | 20,000,000   |
| In issue at 31 December 2018                       | <u>115,867,780</u>   | <u>20,000,000</u>  |

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

In February 2018, 20,000,000 Class A Cumulative 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 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.

## 15 Reserves

|                      | <b>Group<br/>2018</b> | <b>Company<br/>2018</b> |
|----------------------|-----------------------|-------------------------|
|                      | \$                    | \$                      |
| Revenue reserves     | (27,990,842)          | (37,611,367)            |
| Translation reserves | 766,168               | —                       |
|                      | <u>(27,224,674)</u>   | <u>(37,611,367)</u>     |

### *Translation reserve*

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

## 16 Revenue

|                | <b>Group<br/>2018</b> |
|----------------|-----------------------|
|                | \$                    |
| Sales of goods | 7,002,060             |
| Service income | 544,466               |
|                | <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:

|                                    |   |
|------------------------------------|---|
| <b>Nature of goods or services</b> | The Group manufactures and sells drinking water, soaking water, skin care products, bath treatment packages and filtration systems. |
|------------------------------------|---|



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|  |  |
|--|--|
| <b>When revenue is recognised</b>                  | <p><b>Revenue from retail sales</b><br/>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><b>Revenue from sales of bath packages</b><br/>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> |
| <b>Significant payment terms</b>                   | Majority of the sales are upon cash on delivery and cash payment upon confirmation of the sales or bath package. For contract sales of filtration system, it is based on milestone billings and payment terms ranges between 30 to 90 days.  |
| <b>Obligations for returns and refunds, if any</b> | Refunds are only applicable to packages signed for baths and it is usually done in exchange for products and cash refund is only applicable to demise of subscribers.  |

**Disaggregation of revenue**

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

|                                     | <b>Group<br/>2018<br/>\$</b> |
|-------------------------------------|------------------------------|
| <b>Primary geographical markets</b> |                              |
| Singapore                           | 6,563,229                    |
| Malaysia                            | 345,299                      |
| China                               | 352,445                      |
| Hong Kong                           | 152,673                      |
| Others                              | 132,880                      |
|                                     | 7,546,526                    |

**Contract balances**

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

|                      | <b>Group<br/>2018<br/>\$</b> |
|----------------------|------------------------------|
| Trade receivables    | 486,998                      |
| Contract liabilities | (382,172)                    |

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.

## 17 Other Income

|                 | <b>Group<br/>2018<br/>\$</b> |
|-----------------|------------------------------|
| Interest income | 107,739                      |
| Other income    | 83,496                       |
|                 | 191,235                      |

## 18 Staff Costs

|   | <b>Group<br/>2018<br/>\$</b> |
|---|------------------------------|
| Salaries and bonuses                        | 4,800,676                    |
| Contributions to defined contribution plans | 493,076                      |
| Other personnel expenses                    | 78,465                       |
|   | 5,372,217                    |

## 19 Other Expenses

|   | <b>Group<br/>2018<br/>\$</b> |
|---|------------------------------|
| Impairment of property, plant and equipment       | 3,380,042                    |
| Impairment of intangible assets                   | 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                                   | 1,172,360                    |
| Marketing expenses                                | 1,026,011                    |
| Inventory write-offs                              | 452,926                      |
|   | 452,926                      |

## 20 Tax Expense

|   | <b>Group<br/>Period from<br/>16/8/2017<br/>(date of<br/>incorporation)<br/>to 31/12/2018<br/>\$</b> |
|---|---|
| <b><i>Reconciliation of effective tax rate</i></b>                  |   |
| Loss before tax   | <u>(30,412,283)</u>   |
| Tax using the Singapore tax rate of 17%                             | (5,170,088)   |
| Effect of different tax rates in foreign jurisdictions              | (116,739)   |
| Non-deductible expenses   | 389,173   |
| Current-period losses for which no deferred tax asset is recognised | 1,548,794   |
| Change in unrecognised temporary differences                        | 3,409,581   |
| Tax exempt income   | (3,599)   |
| Tax incentives and rebates  | <u>(57,122)</u>   |
|   | <u>–</u>  |

### ***Unrecognised deferred tax assets***

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

|            | <b>Group<br/>Period from<br/>16/8/2017<br/>(date of<br/>incorporation)<br/>to 31/12/2018<br/>\$</b> |
|------------|---|
| Tax losses | <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.

## 21 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:

|  | <b>Group<br/>2018</b> | <b>Company<br/>2018</b> |
|--|-----------------------|-------------------------|
|  | \$                    | \$                      |
| Impairment loss on trade receivables and long-term receivables | 1,953,354             | 30,988,387              |

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*Exposure to credit risk*

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

|           | <b>Carrying<br/>amount<br/>Group<br/>2018<br/>\$</b> |
|-----------|--|
| Singapore | 866,753  |
| Malaysia  | 36,399   |
| China     | 60,568   |
| Hong Kong | 36,812   |
| Others    | 11,144   |
|           | 1,011,676  |

**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 16.

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 2018:

|                            | <b>Gross carrying<br/>amount<br/>2018<br/>\$</b> | <b>Impairment<br/>loss<br/>2018<br/>\$</b> | <b>Net carrying<br/>amount<br/>2018<br/>\$</b> |
|----------------------------|--|--|--|
| 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                      | 2,440,352  | (1,953,354)                                | 486,998  |

### ***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 are undergoing a court supervised process to reorganise their liabilities and businesses. The recoverability of the amounts due from these related parties are subjected to significant uncertainties as such management has written off the full amounts due from related parties of \$1,953,354 as at year end.

### ***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 successful completion of the planned rights issue. As the outcome of the rights issue cannot be established, the valuations of the amounts due from subsidiaries are subject to significant uncertainties. Accordingly, the Company has written off the full amounts due from subsidiaries of \$30,988,387 as at year end.

### ***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 \$3,870,180 and \$214,337 respectively as at 31 December 2018. 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. As described in Note 2, the Group's and the Company's ability to meet these obligations is dependent on the successful completion of the planned rights issue.

*Exposure to liquidity risk*

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

|   | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash flows</b> | <b>Within<br/>1 year or less</b> |
|---|----------------------------|-----------------------------------|----------------------------------|
|   | \$                         | \$                                | \$                               |
| <b>Group</b>                                    |                            |                                   |                                  |
| <b>2018</b>                                     |                            |                                   |                                  |
| <b>Non-derivative financial liabilities</b>     |                            |                                   |                                  |
| 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)                      |
|   | <u>1,746,237</u>           | <u>(1,746,237)</u>                | <u>(1,746,237)</u>               |
| <b>Company</b>                                  |                            |                                   |                                  |
| <b>2018</b>                                     |                            |                                   |                                  |
| <b>Non-derivative financial liabilities</b>     |                            |                                   |                                  |
| Trade and other payables                        | 609,813                    | (609,813)                         | (609,813)                        |
| Amounts due to subsidiaries and related parties | 727,398                    | (727,398)                         | (727,398)                        |
|   | <u>727,398</u>             | <u>(727,398)</u>                  | <u>(727,398)</u>                 |

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.

|   | <b>Amortised<br/>cost<br/>\$</b> | <b>Other<br/>financial<br/>liabilities<br/>\$</b> | <b>Total<br/>\$</b> |
|---|----------------------------------|---|---------------------|
| <b>Group</b>                                    |                                  |   |                     |
| <b>31 December 2018</b>                         |                                  |   |                     |
| 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>    |
| <b>Company</b>                                  |                                  |   |                     |
| <b>31 December 2018</b>                         |                                  |   |                     |
| 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



## 22 Acquisition of Subsidiaries

On 1 October 2017, the Group acquired equity interest in the following entities (together referred to as the “Hyflux Consumer Group”) following the restructuring exercise under common control at Hyflux Ltd:

| Name of subsidiaries                     | Ownership<br>interest<br>% |
|--|----------------------------|
| Elo Living Pte Ltd                       | 100                        |
| Elomart Pte Ltd                          | 100                        |
| Elo Commercial Trade (Shanghai) Co., Ltd | 100                        |
| Elowater Malaysia Sdn Bhd                | 100                        |
| Hyfluxshop Korea Ltd                     | 100                        |
| Elo Water Pte Ltd                        | 70                         |
| Elo Siloam Pte Ltd                       | 70                         |
| Hyfluxshop Taiwan Ltd                    | 60                         |

Hyflux Consumer Group is primarily involved in the sale and manufacture of drinking water, soaking water, skin care products, bath treatment packages and filtration systems.

The acquisition of the Hyflux Consumer Group was to provide better visibility of the consumer business going forward within the Hyflux Group.

The acquisition was accounted for as a common control transaction at the date of acquisition using the book value of assets and liabilities of the entities acquired.

### Consideration transferred:

The following table summarises the book value of consideration transferred at acquisition date:

|      | \$                 |
|------|--------------------|
| Cash | <u>(9,457,196)</u> |

**Identifiable assets acquired and liabilities assumed:**

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

|   | Note | \$           |
|---|------|--------------|
| Investments                                     |      | 10,987,000   |
| Property, plant and equipment                   | 6    | 4,815,428    |
| Intangible assets                               | 7    | 709,576      |
| Deferred tax liabilities, net                   |      | (32,000)     |
| Inventories                                     |      | 3,500,930    |
| Trade receivables                               |      | 6,008,680    |
| Cash and cash equivalents                       |      | 6,454,719    |
| Trade and other payables                        |      | (27,791,326) |
| Total identifiable net assets                   |      | 4,653,007    |
| Non-controlling interests                       |      | 4,804,189    |
| Total consideration                             |      | 9,457,196    |
| <br>  |      |              |
| Cash consideration paid                         |      | (9,457,196)  |
| Cash and cash equivalents acquired              |      | 6,454,719    |
| Acquisition of subsidiary, net of cash acquired |      | (3,002,477)  |

## 23 Operating Lease

Non-cancellable operating lease rentals are payable as follows:

|                        | Group<br>2018<br>\$ | Company<br>2018<br>\$ |
|------------------------|---------------------|-----------------------|
| Within one year        | 1,195,147           | –                     |
| From two to five years | 131,689             | –                     |
|                        | 1,326,836           | –                     |

## 24 Related Parties

Key management personnel compensation comprises:

|                              | Group<br>2018<br>\$ |
|------------------------------|---------------------|
| Short-term employee benefits | 785,602             |

Period from 16 August 2017 (date of incorporation) to 31 December 2018

**Other related party transactions**

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

|                        | <b>Group<br/>2018<br/>\$</b> |
|------------------------|------------------------------|
| <b>Related parties</b> |                              |
| - Purchase of goods    | 363,796                      |
| - Sales of goods       | 349,798                      |
| - Rental and utilities | 981,270                      |
| - Corporate services   | 120,308                      |
| - Interest expenses    | <u>109,149</u>               |
| <b>Associate</b>       |                              |
| - Sales of goods       | 135,497                      |
| - Royalty fee          | <u>20,725</u>                |

## 25 Subsequent Events

### Issuance of additional shares in Hyfluxshop Holdings

On 16 May 2019, the Board of Directors approved a resolution to make a private placement of 3,684,212 shares at \$0.19 per shares amounting to \$700,000 to its major shareholder. This transaction was completed on 27 May 2019.

## 26 Comparative Information

No comparative figures have been presented as this is the first set of financial statements prepared by the Group and the Company since the date of the Company's incorporation.

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