

# **SLE SYNERGY LTD. AND ITS SUBSIDIARIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**

**(EXPRESSED IN SINGAPORE DOLLARS)**

## **SLE SYNERGY LTD. AND ITS SUBSIDIARIES**

### **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**

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#### **Introduction**

SLE Synergy Ltd. (the “Company”) was incorporated on September 16, 2019 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (British Columbia) and changed its name from 1223423 B.C. Ltd. to SLE Synergy Ltd. on December 23, 2019. The Company’s head office and principal address is Suite 1570 – 505 Burrard Street, Vancouver BC, V6E 3P3. The registered and records office is 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

The operation subsidiary Springleaf Engineering Pte Ltd. (“Springleaf”) was incorporated in Singapore on December 3, 2012 and is committed to provide integrated engineering services under the contractual frameworks of engineering, procurement, and construction management (“EPCM”).

The following management’s discussion and analysis (“MD&A”) of the financial condition and results of the operations of the Company constitutes management’s review of the factors that affected the Company’s financial and operating performance for the financial period ended June 30, 2020 (“2020 Q2”). This discussion should be read in conjunction with the Company’s interim consolidated financial statements for the three and six months ended June 30, 2020, together with the notes thereto. Results are reported in Singaporean Dollars, unless otherwise noted. The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee (“IFRIC”). Information contained herein is presented as of October 15, 2020, unless otherwise indicated.

In this MD&A, references to the “Company” refer to SLE Synergy Ltd. and/or its material subsidiaries, including Springleaf, as the context requires.

For the purposes of preparing this MD&A, management, in conjunction with the board of directors (the “Board”), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company’s common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A and financial statements of the Company for the period ended June 30, 2020 have been reviewed and approved by the Board on October 14, 2020.

## **Caution Regarding Forward-Looking Statements**

This MD&A contains certain “forward-looking information” and “forward-looking statements” (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company’s ability to predict or control. Please also refer to those risk factors referenced in the “Risk Factors” section below. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **Company Overview and Recent Developments**

The Company currently has operations in Singapore, China and Myanmar, and has developed expertise in cleanrooms, controlled environments and organic waste management. The Company’s focus is to provide one-stop turnkey EPCM solutions that range from consultancy and design right through to the realization of projects involving the construction of high technology production facilities while pairing cost-effective and innovative technologies alongside good operational practices. The Company integrates architectural, civil, mechanical, electrical, instrumentation/control and process engineering into its team’s service execution. The Company’s Factory Maintenance Services division was setup in 2017 to further enhance the Company’s commitment to quality through customer service to its customers.

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The Company has also introduced custom works and products, giving customers the flexibility to obtain tailor-made outcomes that are appropriate for their unique business use-cases. Allowing for custom projects assists in the creation of value-add and project success for the client - positively contributing to the Company's priority of maintaining long-term commercial relationships with customers.

Recently, the Company has been preparing itself to capitalize in a shift from selling beyond its core competencies to expand into new revenue streams that offer measurable positive outcomes that directly influence customer satisfaction and retention rates. This emphasis on operations and maintenance ("O&M") is an emerging trend, as bundled O&M services ensure quick turnarounds for repairs.

The Company is currently looking to integrate various waste management solutions with its engineering services. The Company continues to serve a diverse set of clients from various industries, spreading across semiconductors, electronics, food & beverage, oil and gas, and waste management.

#### **The Transaction**

In early 2019, the Board and management of Springleaf determined that the best course of action to secure additional capital, grow its brand, and expand its reach was to secure a public listing on a reputable exchange. During the fourth quarter of 2019, Springleaf and the Company continued taking steps towards obtaining a listing for its common shares (the "Listing") on the Canadian Securities Exchange (the "CSE") through a reverse takeover transaction (the "Transaction") with Springleaf.

Following the Transaction and the satisfaction of certain conditions precedent, including receipt of all necessary director, shareholder, regulatory and the CSE's approvals, the Company's common shares were listed on the CSE on June 8, 2020, with Springleaf becoming a wholly-owned subsidiary of the Company.

## Three And Six Months Ended June 30, 2020 – Key Developments

- 1. Accumulated total revenue for 2020 Q2 in the amount of S\$3,383,294, with contract engineering revenue of S\$1,550,640.**

Accumulated total revenue in 2020 Q2 decreased by S\$772,498 or 18.6%, as compared to the financial period ending June 30, 2019 (“2019 Q2”). The decrease in revenue was due to lower contract acquisition from new and existing customers, amid a slowdown in the global semiconductor industry. Singapore implemented circuit breaker measures (lock down) in response to the COVID-19 pandemic in the country on April 7, 2020. The circuit breaker measures caused a contract engineering slowdown and delays, which caused significant drops in contract engineering revenue in 2020 Q2.

- 2. Accumulated Factory Maintenance Division recorded S\$1,821,176 in 2020 Q2 versus S\$1,715,215 in 2019 Q2.**

The Factory Maintenance Division, which was set up in January 2017, with an aim to diversify revenue streams and increase recurring income, experienced a 6.18% growth in service and maintenance revenue in 2020 Q2, as compared to 2019 Q2. Although circuit breaker measures were implemented on April 7, 2020, the Factory Maintenance Division was granted approval from the government to continue to perform maintenance services to customers which are under an essential sector. Therefore, the Factory Maintenance Division recorded revenue growth in 2020 Q2.

- 3. Waste management contracts in Shanghai, China.**

On August 29, 2019, Springleaf-Biomax (Shanghai) Pte Ltd., a subsidiary of Springleaf, (“Springleaf-Biomax”) signed a contract to provide a waste treatment facility with Shanghai Qun Xin Municipal Development Company, which includes treating at least 50 tons of wet waste in Shanghai, China on a daily basis for a minimum fee of RMB¥10,000 (approximately S\$2,000) per day, for a period of five years. As at June 30, 2020, the waste treatment facility is still under construction, and the construction costs incurred as at June 30, 2020 are approximately S\$1,215,325. The COVID-19 pandemic and restriction measures implemented by the Chinese government have slowed down the construction progress.

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**Selected Financial Information**

The following selected financial data has been extracted from the interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), for the fiscal years indicated and should be read in conjunction with those audited financial statements and the notes thereof.

For the periods ended June 30,	Three Months Ended		Six Months Ended	
	2020	2019	2020	2019
Total Revenues	<b>S\$ 943,238</b>	S\$ 2,144,876	<b>S\$ 3,383,294</b>	S\$ 4,155,792
Gross Profit (as a % of revenues)	<b>12.6%</b>	26.7%	<b>41.5%</b>	33.9%
Net Profit / (loss)	<b>S\$ (332,041)</b>	S\$ 161,162	<b>S\$ 213,024</b>	S\$ 458,661
Net Profit per share (S\$)				
- Basic / diluted	<b>(0.007)</b>	0.52	<b>0.004</b>	1.49
<b>As at</b>			<b>June 30, 2020</b>	December 31, 2019
Total assets			<b>S\$ 12,990,980</b>	S\$ 12,233,640
Working capital			<b>S\$ 3,943,393</b>	S\$ 3,473,692
Total Non-current liabilities			<b>S\$ 2,856,426</b>	S\$ 3,101,150
Shareholder's equity			<b>S\$ 5,725,640</b>	S\$ 4,845,202
Number of shares outstanding			<b>48,552,082</b>	308,000

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#### Results of Operations

##### *Revenue*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
Contracts with customers	<b>102,116</b>	1,343,255	<b>1,550,640</b>	2,431,502
Service and maintenance	<b>834,774</b>	793,196	<b>1,821,176</b>	1,715,215
Trading	<b>6,348</b>	8,425	<b>11,478</b>	9,075
<b>Total revenue</b>	<b>943,238</b>	2,144,876	<b>3,383,294</b>	4,155,792

Total revenue for the period ended June 30, 2020 decreased by S\$772,498, or 18.6%, as compared to the same period in 2019. The decrease in revenue was due to the decrease in contracts with customers, which is due to a slowdown caused by the COVID-19 pandemic and restricted movement implemented by government. These contracts with customers mainly consist of the EPCM solutions branch of the Company. EPCM work consists of services including the installation of cleanrooms and controlled environments, design and implementation of heat-ventilations, air-conditioning systems, mechanical and electrical systems.

Service and maintenance revenue increased by S\$105,961, or 6.18%, as compared to the same period in 2019. The purpose of providing service and maintenance work is to secure long-term contracts that will be ongoing and/or continue onto different projects for the Company's clients. Extracting and securing a recurring income stream from existing client base can be achieved through the frequent and assured engagements that maintenance services entail. This service division helps the Company maintain constant communication with its customers and meet its customers' needs.

##### *Cost of Sales / Gross Profit Margin*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
Cost of sales	<b>824,819</b>	1,571,765	<b>1,980,246</b>	2,748,083
Gross profit	<b>118,419</b>	573,111	<b>1,403,048</b>	1,407,709
Gross profit margin (%)	<b>12.6%</b>	26.7%	<b>41.5%</b>	33.9%

Cost of sales decreased from S\$2,748,083 in 2019 Q2 to S\$1,980,246 in 2020 Q2, as a result of the Company's decreased revenue during the respective periods.

Gross profit is the difference between the revenue received and the direct cost of that revenue. Gross profit margin is gross profit divided by revenue and is often presented as a percent. Gross profit margin slightly increased to 41.5% in 2020 Q2, as compared to 33.9% in 2019 Q2. This is mainly due to higher gross profit contributed by the services and maintenance sector.

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#### *Operating Expenses*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
Administrative expenses	228,445	155,321	455,918	240,998
Other operating expenses	417,983	261,406	851,956	620,288
Finance costs	34,525	24,885	69,653	60,918
<b>Total</b>	<b>680,953</b>	<b>441,612</b>	<b>1,377,527</b>	<b>922,204</b>

Operating expenses increased from S\$922,204 in 2019 Q2 to S\$1,377,527 in 2020 Q2, representing a 49.4% increase. The increase was mainly due to an increase in administrative expenses, which included payments related to the Listing, such as lawyer fees, audit fees, consultancy fees, submission fees, etc.

In addition, increased other operating expenses in 2020 Q2 was mainly due to labour costs incurred in Springleaf-Biomax. Operations started in the third quarter of 2019, therefore, no such expenses were recorded in 2019 Q2.

#### *Net and Total Comprehensive Income*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
Net and total comprehensive income / (loss)	(332,041)	161,162	213,024	458,661

For the period ended June 30, 2020, the Company recorded a total comprehensive income of S\$213,024 compared to total comprehensive income of S\$458,661 in 2020 Q2. This decrease in profit is mainly due to the decrease in total revenues (as discussed above).

### **Authorized share capital**

As of the date of this MD&A, the Company has 48,552,082 common shares issued and outstanding. All common shares carry one vote per share and carry a right to dividends as and when declared by the Company.



## Risk Factors

The following are certain risk factors relating to the business carried on by the Company, which prospective investors should carefully consider. The Company will face a number of challenges in the development of its technology and in building its client base. Due to the nature of the Company and the present stage of the business, the Company may be subject to significant risks. Readers should carefully consider all such risks, including those set out in the discussion below. The below list is not a comprehensive list of all risk factors that may affect the Company.

### **General Business Risks**

#### *Risk Associated with Foreign Operations in Other Countries*

The Company's primary revenues are expected to be achieved in Singapore, China and Myanmar. However, the Company may expand to markets outside of the aforementioned countries and become subject to risks normally associated with conducting business in other countries. The Company cannot predict government positions on such things as foreign investment, intellectual property rights or taxation. A change in government positions on these issues could adversely affect the Company's business.

#### *Risks Associated with Acquisitions*

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions that would provide additional product or service offerings, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

#### *Uncertainty and Adverse Changes in the Global Economy*

Adverse changes in the global economy could negatively impact the Company's business. Future economic distress may result in a decrease in demand for the Company's products, which could have a material adverse impact on the Company's operating results and financial condition. Uncertainty and adverse changes in the economy could also increase costs associated with developing and publishing products, increase the cost and decrease the availability of sources of financing, and increase the Company's exposure to material losses from bad debts, any of which could have a material adverse impact on the financial condition and operating results of the Company.

**Risks Related to Industry and Business**

*Revenue is Dependent on the Capital Expenditure of Customers*

The Company designs and/or build facilities requiring controlled environments mainly for the electronics, food and beverage, oil and gas, semiconductor and waste management sectors. Consequently, revenue will be adversely affected should there be any slowdown in the growth and development of these sectors which results in a reduction in the capital expenditure budgets of customers in these sectors and a lesser number of projects available for tender. Accordingly, the Company will be dependent on the growth of these sectors in Singapore, specifically, and Southeast Asia, generally, and any change or slowdown in the growth of these sectors in these geographic markets may have an adverse impact on our business, financial condition, results of operations and prospects.

*Business is generally project-based and faces the risk of any delay or premature termination of secured projects and/or the Company may not be able to secure new projects*

The Company's business is generally project-based. Therefore, the Company has to continuously secure new customers and/or new projects. If it is unable to secure new projects of contract values, size and/or margins comparable to existing ones and/or our secured projects are delayed or prematurely terminated because of factors such as changes in customers' businesses, poor market conditions or lack of funds on the part of the project owners, this would create idle or excess capacity and/or may expose the Company to liabilities to sub-contractors and/or suppliers. This may adversely affect business, financial performance and financial condition. The delay or premature termination of any projects or contracts in progress or any customer's decision not to proceed with a contracted project may result in the Company not being adequately compensated. This will have a material adverse effect on business, financial condition and results of operations. In addition, there may be a lapse of time between the completion of existing projects and the commencement of subsequent projects which may materially and adversely affect financial performance and financial position.

*Any cost overruns may adversely affect the financial performance of the Company*

The Company's revenue is largely derived from project-based contracts. Contracts for project works are negotiated in advance of the actual project execution and projects can vary in duration from several months to a few years. Profitability will therefore be dependent on the Company's ability to obtain competitive quotations from sub-contractors at or below estimated costs, and the ability to execute the contracts efficiently. The Company works closely with subcontractors for project execution. However, unforeseen circumstances such as logistic disruptions or unanticipated construction constraints at the work site may arise during the course of project execution. As these circumstances may require additional work which has not been factored into the contract value, they may lead to cost overruns which will erode profit margin for the project. There is no assurance that actual costs incurred will not exceed the estimated costs, due to under-estimation of costs, excessive wastage, inefficiency, damage or unforeseen additional costs incurred during the course of the contract. Any under-estimation of costs, delay or other circumstances resulting in cost overruns may adversely affect profitability.

*Liability for delays in the completion of projects*

The contracts that the Company may enter into with customers will typically include a provision for the payment by the Company of pre-determined liquidated damages to customers in the event the project is completed after the date of completion stated in the contract arising from any delay caused by the Company. The liquidated damages payable are determined by the tender terms for public sector projects or through contractual negotiations for private sector projects. Delays in a project could occur from time to time due to factors such as shortages of labour, equipment and construction materials, labour disputes, disputes with sub-contractors, industrial accidents, work stoppages arising from accidents or mishaps at the work site or delays in the delivery of construction materials and/or equipment by suppliers to sub-contractors. In the event of any delay in the completion of a project due to factors within the Company's control, it could be liable to pay liquidated damages under the contract and incur additional overheads that will adversely affect earnings and profit margins, thereby materially and adversely affecting financial condition and results of operations. Although the Company has not been made liable to pay any liquidated damages as of the date of this MD&A, there is no assurance that there will not be any delays in existing and future projects in resulting in the payment of liquidated damages that may have a material and adverse impact on the Company's business, financial condition and results of operations.

*Defect claims and disputed variation orders can erode profitability*

In the Company's business, claims may be made by customers against contractors or sub-contractors for defective works and/or non-compliance with contract specifications. It is also common for customers to retain a certain percentage of the contract sum as retention monies for the costs of rectifying any defective works which have not been rectified by the Company. Variation orders are usually additional works or changes requested by the customer for specifications not included in the original contract. In such circumstances, additional time would be given to the Company to complete the project. On certain occasions, the parties may agree that variation orders be performed before the costs for such additional works are finalised. Thus, the final values of such variation orders may be subject to dispute by customers. In such an event, additional costs resulting from variation orders that could not be charged to customers due to disputes would have to be absorbed by the Company. As a result of absorbing such costs, the Company may have to suffer lower profits or even losses for that project. As of the date of this MD&A, the Company has not experienced any material disputed variation orders or defect claims. However, there is no assurance that material disputed variation orders or defect claims will not arise in the future. In the event that the Company is required to bear any part of the variation costs or losses arising from defect claims, its financial performance may be adversely affected.

*Reliance on suppliers and sub-contractors*

The Company purchases architectural materials, engineering products, cleanroom, and other hardware and materials from suppliers. The Company also engages sub-contractors to provide various services at project sites, such as architectural works, mechanical and electrical installation, interior decoration and other specialist works. These suppliers and sub-contractors will be selected based on, amongst others, past working experience with them, their track record, pricing and their ability to meet quality and safety requirements and schedule. The Company cannot be assured that the products and services rendered by suppliers and sub-contractors will continue to be satisfactory to or that they will meet the quality requirements, specifications and time schedule for projects. In the event of any loss which arises from the default of the suppliers or sub-contractors engaged by the Company, it may not be able to pass such loss on to them. Furthermore, if there are any adverse changes in suppliers' and sub-contractors' conditions (financial or otherwise) which affect their ability to supply the products or carry out the work for which they were contracted for, and the Company is unable to find suitable alternative suppliers or sub-contractors in a timely manner and at comparable commercial terms, the Company may not be able to complete the project within the budget and time schedule. As a result, there may be cost overruns or the Company may incur liquidated damages, and financial performance will be affected.

## Securities Issuances

The following table summarizes issuances of common shares of the Company, or securities convertible into common shares, during the financial period ended June 30, 2020.

<b>Date of Issuance</b>	<b>Type of Security</b>	<b>Number of Securities Issued</b>	<b>Issuance Price per Security</b>
January 3, 2020	Ordinary Shares	11,815 <sup>(1)</sup>	\$53.32
May 8, 2020	Common Shares	48,201,772 <sup>(2)</sup>	\$0.0477

Notes:

(1) Springleaf completed a non-brokered private placement, raising aggregate gross proceeds of S\$630,000 through the issuance of 11,815 ordinary shares of Springleaf, at an average price of S\$53.32 per share, prior to the completion of the Transaction.

(2) The Company completed a share exchange and issuance of 48,201,772 common shares in exchange for all the issued and outstanding ordinary shares of Springleaf, pursuant to the closing of the Transaction.

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#### Summary of Quarterly Results

The following selected quarterly financial data has been extracted from the financial statements, prepared in accordance with International Financial Reporting Standards.

	2020 Q2	2020 Q1	2019 Q4	2019 Q3
	S\$	S\$	S\$	S\$
Revenue	943,238	2,440,056	1,713,464	2,456,502
Net and comprehensive profit	(332,041)	545,066	(396,707)	548,561
Net profit per share (basic and diluted)	(0.007)	1.56	(1.17)	1.62

  

	2019 Q2	2019 Q1	2018 Q4	2018 Q3
	S\$	S\$	S\$	S\$
Revenue	2,144,876	2,010,916	6,826,252	3,491,475
Net and comprehensive profit	161,162	297,499	780,470	491,005
Net profit per share (basic and diluted)	0.52	0.97	2.53	1.59

In 2020 Q2, the Company recorded revenues of S\$943,238, a decrease of S\$1,496,818 or 61.3% as compared to the immediately preceding quarter ("2020 Q1"). The decrease is attributed to the lower billings on contracted customers. The Company recorded a net loss of S\$332,041 in 2020 Q2 and net profit of S\$545,066 in 2020 Q1. The decrease is mainly due to lower revenue and higher cost from the Chinese subsidiary for the quarter.

#### Liquidity and Capital Resources

The Company's liquidity risk is on its loans, accounts payable and accrued liabilities. The Company's operations are financed mainly through equity and borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required. As at June 30, 2020, the Company has a net working capital of S\$3,943,393 (December 31, 2019: S\$3,473,692).

The Company manages its capital structure and makes routine adjustments that accounts for new developments within economic and business conditions; financing environment; and the risk characteristics of the underlying assets. The Company may issue new shares, new debt, or scale back the size and nature of its operations. The Company is not subject to externally imposed capital requirements. As at June 30, 2020, shareholder's equity was S\$5,725,640 (as at December 31, 2019, shareholder's equity was S\$4,845,202).

## **Financial Instruments**

The Company's activities expose it to financial risks, including credit risk, foreign currency risk, interest rate risk, and liquidity risk. The Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Company's financial performance.

Risk management is integral to the whole business of the Company. The management of the Company continually monitors the Company's risk management processes to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

There have been no changes to the Company's exposure to these financial risks or the manner in which it manages and measures the risk during the financial period ended June 30, 2020.

### **Credit risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. All the Company's cash is held at financial institutions or is held in trust with legal counsel in which management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the period.

### **Foreign currency risk**

The Company's functional currency is denominated in Singaporean Dollars. The Company currently expects that sales will be incurred primarily in Singaporean Dollars and the Chinese Renminbi and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, the Company incurs most of its operating expenses in Singaporean Dollars. In the future, the proportion of the Company's sales that are derived outside of the Company's main operating jurisdiction, Singapore, may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. The Company has not previously engaged in foreign currency hedging. If the Company decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide the Company from foreign currency fluctuations and can themselves result in losses.

## Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any material undisclosed off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of its operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources.

## Related Party Transactions

During the financial period ended June 30, 2020, the Company was not involved in any related party transactions with the insiders of the Company other than remuneration paid to management personnel during the three and six months ended June 30, 2020.

### Key Management Remuneration

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	S\$	S\$	S\$	S\$
Directors' remuneration	51,300	50,700	102,600	101,400
Central Provident Fund	6,120	6,120	12,240	12,240
<b>Total</b>	<b>57,420</b>	<b>56,820</b>	<b>114,840</b>	<b>113,640</b>

## Changes in Accounting Policies

### IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* to set out the principles for the recognition, measurement, presentation and disclosure of leases. The changes introduced by IFRS 16 will primarily affect the financial statements of the lessees.

IFRS 16 requires, with limited exceptions, the lessee to recognize, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts. Leases of “low-value” assets and qualifying short-term leases entered into by lessees can be exempted from the new recognition criteria.

On January 1, 2019, the Company adopted this standard and there was no material impact on the Company’s condensed interim consolidated financial statements as the Company has no material lease contracts that fall under IFRS 16.

## **Other Information**

Additional information about the Company is available at <http://www.slesynergy.com> and <https://www.sedar.com>.

## **Subsequent Events**

There were no subsequent events to report.

## **Impact of COVID-19**

To date, COVID-19 has not had a significant adverse impact on our operations and financial conditions. Although the restriction movement imposed by the government slowed down the contract revenue and construction progress (China – waste management), the maintenance division has still been able to grow during this period. Management is optimistic that the business will recover in the last quarter of 2020 or beginning of 2021.