

**BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES**  
(Incorporation Number: BC1223423)

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**



## **INDEPENDENT AUDITOR'S REPORT**

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To the Shareholders of BYT Holdings Ltd. (formerly, SLE Synergy Ltd.)

### **Opinion**

We have audited the consolidated financial statements of BYT Holdings Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Matter**

The consolidated financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements dated May 8, 2020.

### **Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Canadian generally accepted auditing standards 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 control.
- Obtain an understanding of internal control 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 Company's internal control.
- 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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Company 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ahlan Veerasamy.

Toronto, Ontario  
April 30, 2021

  
Chartered Professional Accountants  
Licensed Public Accountants

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

	<u>Note</u>	<u>2020</u> S\$	<u>2019</u> S\$
<b>Revenue</b>	<b>5</b>	7,175,588	8,325,758
Cost of sales	6	(4,127,602)	(5,041,129)
<b>Gross profit</b>		3,047,986	3,284,629
Other income	7	568,031	249,326
Administrative expenses	6	(2,385,013)	(871,114)
Other operating expenses	6	(1,446,899)	(1,706,844)
Listing expenses	4	(2,126,656)	-
Finance costs	8	(176,996)	(148,590)
<b>Profit / (Loss) before income tax</b>		(2,519,547)	807,407
Income tax expense	9	(237,498)	(191,033)
<b>Profit / (Loss) for the year</b>		<u>(2,757,045)</u>	<u>616,374</u>
<b>Other comprehensive income / (expenses):</b> <b>Items that are or may be reclassified subsequently to</b> <b>Profit or loss</b>			
Foreign currency translation		(62,139)	(5,859)
<b>Total comprehensive profit / (loss) for the year</b>		<u>(2,819,184)</u>	<u>610,515</u>
<b>Profit / (Loss) for the year attributable to:</b>			
Owners of the Company		(2,721,521)	689,314
Non-controlling interests		(35,524)	(72,940)
		<u>(2,757,045)</u>	<u>616,374</u>
<b>Total comprehensive profit / (loss) for the year</b> <b>attributable to:</b>			
Owners of the Company		(2,781,436)	683,455
Non-controlling interests		(37,748)	(72,940)
		<u>(2,819,184)</u>	<u>610,515</u>
<b>Basic and diluted gain / (loss) earnings per share</b>		(0.09)	1.82
Weighted average number of outstanding common shares		31,600,914	338,495

*The accompanying notes form an integral part of and should be read in conjunction with these consolidated financial statements.*

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020  
Expressed in Singapore Dollars

	<u>Note</u>	<u>2020</u> <u>S\$</u>	<u>2019</u> <u>S\$</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	4,164,286	4,472,660
<b>Total non-current assets</b>		<u>4,164,286</u>	<u>4,472,660</u>
<b>Current assets</b>			
Inventories	11	162,636	-
Unbilled revenue	12	114,578	576,809
Trade and other receivables	13	3,634,522	4,986,237
Fixed deposit	14	507,019	500,000
Cash and cash equivalents	15	4,594,226	1,697,934
<b>Total current assets</b>		<u>9,012,981</u>	<u>7,760,980</u>
<b>Total assets</b>		<u>13,177,267</u>	<u>12,233,640</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	5,785,047	469,403
Accumulated other comprehensive income (loss)		(65,774)	(5,859)
Retained earnings		1,733,077	4,454,598
Total equity attributable to owners of the Parent		7,452,350	4,918,142
Non-controlling interest		(110,688)	(72,940)
<b>Total Equity</b>		<u>7,341,662</u>	<u>4,845,202</u>
<b>Non-current liability</b>			
Interest-bearing loans and borrowings	17	2,591,699	3,101,150
<b>Total non-current liability</b>		<u>2,591,699</u>	<u>3,101,150</u>
<b>Current liabilities</b>			
Trade and other payables	18	1,915,701	2,488,976
Interest-bearing loans and borrowings	17	1,016,585	1,540,134
Income tax payable	9	311,620	258,178
<b>Total current liabilities</b>		<u>3,243,906</u>	<u>4,287,288</u>
<b>Total liabilities</b>		<u>5,835,605</u>	<u>7,388,438</u>
<b>Total equity and liabilities</b>		<u>13,177,267</u>	<u>12,233,640</u>

# Contingencies (Note 20)

# Subsequent events (Note 28)

Approved by the Board of Directors

“Lim Chor Ghee”

“Michelle Neo San San”

*The accompanying notes form an integral part of and should be read in conjunction with these consolidated financial statements.*

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020

Expressed in Singapore Dollars

	<u>Share capital</u>	<u>Accumulated Other Comprehensive income/(loss)</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non- controlling interests</u>	<u>Total</u>
	S\$	S\$	S\$		S\$	S\$
<b>Balance at January 1, 2019</b>	370,000	-	5,765,284	6,135,284	-	6,135,284
Issuance shares (Note 16)	99,403	-	-	99,403	-	99,403
Dividends declared	-	-	(2,000,000)	(2,000,000)	-	(2,000,000)
Profit for the financial year	-	-	689,314	689,314	(72,940)	616,374
Foreign currency translation	-	(5,859)	-	(5,859)	-	(5,859)
<b>Balance at December 31, 2019</b>	469,403	(5,859)	4,454,598	4,918,142	(72,940)	4,845,202
Shares issued on private placement - Springleaf (Note 16)	630,000	-	-	630,000	-	630,000
Shares issued under reverse acquisition (Note 16)	1,954,959	-	-	1,954,959	-	1,954,959
Shares issued on private placement (Note 16)	2,659,100	-	-	2,659,100	-	2,659,100
Profit/(loss) for the year	-	-	(2,721,521)	(2,721,521)	(35,524)	(2,757,045)
Foreign currency translation	71,585	(59,915)	-	11,670	(2,224)	9,446
<b>Balance at December 31, 2020</b>	<u>5,785,047</u>	<u>(65,774)</u>	<u>1,733,077</u>	<u>7,452,350</u>	<u>(110,688)</u>	<u>7,341,662</u>

The accompanying notes form an integral part of and should be read in conjunction with these consolidated financial statements.

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020**  
Expressed in Singapore Dollars

	<u>Note</u>	<u>2020</u> S\$	<u>2019</u> S\$
<b>Operating activities</b>			
Profit / (Loss) before income tax		(2,519,547)	807,407
Adjustments for:			
Depreciation	10	120,834	239,023
Interest expenses	8	170,493	148,590
Interest income	7	(60,889)	(240,519)
Unrealised exchange loss/(gain)	7	(8,977)	(6,219)
Gain on disposal of property, plant and equipment	7	(280,809)	-
Expected credit loss on trade receivables	13	694,740	-
Listing expenses		1,958,530	-
Operating cash flows before movements in working capital		74,375	948,282
Changes in working capital:			
Unbilled revenue		462,231	150,182
Inventories		(160,676)	-
Trade and other receivables		690,125	235,471
Deferred revenue		-	(827,226)
Trade and other payables		(346,286)	(678,730)
Cash generated from/(used in) operations		719,769	(172,021)
Interest received		60,889	240,519
Income tax paid	9	(184,057)	(628,774)
<b>Net cash used in operating activities</b>		<u>596,601</u>	<u>(560,276)</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(1,471,497)	(2,938,320)
Proceed from disposal of property, plant and equipment		1,999,257	-
Addition to fixed deposit pledged		(7,019)	(500,000)
Amount due from a shareholder	19	-	1,000,000
<b>Net cash generated from/(used in) investing activities</b>		<u>520,741</u>	<u>(2,438,320)</u>
<b>Financing activities</b>			
Proceeds from issuance of shares		3,357,114	99,403
Dividends paid		(300,000)	(1,300,000)
Repayment of finance lease payables		-	(22,912)
Drawdown of Interest-bearing loans and borrowings		2,400,000	4,375,663
Repayment of interest-bearing loans and borrowings		(3,433,000)	(3,426,432)
Interest paid		(170,493)	(148,590)
<b>Net cash used in financing activities</b>		<u>1,853,621</u>	<u>(422,868)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		2,970,963	(3,421,464)
Effect of foreign exchange fluctuation		(74,673)	(157)
Cash and cash equivalents at beginning of financial year		1,697,934	5,119,555
<b>Cash and cash equivalents at end of financial year</b>	15	<u>4,594,226</u>	<u>1,697,934</u>

**Reconciliation of liabilities arising from financing activities**

	1 January <u>2020</u> S\$	Financing <u>cash inflows</u> S\$	Financing <u>cash outflows</u> S\$	31 December <u>2020</u> S\$
<b>Liabilities</b>				
Interest-bearing loans and borrowings	4,641,284	2,400,000	(3,433,000)	3,608,284
	<u>4,641,284</u>	<u>2,400,000</u>	<u>(3,433,000)</u>	<u>3,608,284</u>
	1 January <u>2019</u> S\$	Financing <u>cash inflows</u> S\$	Financing <u>cash outflows</u> S\$	31 December <u>2019</u> S\$
<b>Liabilities</b>				
Interest-bearing loans and borrowings	3,692,053	4,375,663	(3,426,432)	4,641,284
Finance lease payables	22,912	-	(22,912)	-
	<u>3,714,965</u>	<u>4,375,663</u>	<u>(3,449,344)</u>	<u>4,641,284</u>

The accompanying notes form an integral part of and should be read in conjunction with these consolidated financial statements.



## BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 Expressed in Singapore Dollars

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

#### 1. General

BYT Holdings Ltd. (formerly, SLE Synergy Ltd.) (the “Company”) (Incorporation Number: BC1223423) is incorporated 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). The Company’s registered and records office is 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7 Canada.

The Company’s subsidiaries currently operates in Singapore, China, and Myanmar through a branch office of the Singapore subsidiary.

The principal activities of the subsidiaries are disclosed in Note 2.2 to the consolidated financial statements.

These consolidated financial statements for the year ended 31 December 2020 were authorised for issue by the Board of Directors on April 30, 2021.

#### 2. Summary of significant accounting policies

##### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the Interpretations to IFRS (“IFRICs”) issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The consolidated financial statements are measured and presented in the currency of the primary economic environment in which the Company operates (its functional currency). The consolidated financial statements of the Company are presented in Singapore dollar (the “SGD” or “S\$”). The functional currency of the parent company is the Canadian Dollar “C\$”, the functional currency of Springleaf Engineering Pte. Ltd. and BYT Singapore Pte Ltd is the S\$ and the functional currency of Shanghai Xin Da Process Engineering Co., Ltd. and Springleaf-Biomax (Shanghai) Pte. Ltd. is the Chinese Renminbi (RMB”).

In the current financial year, the Company has adopted all the new and revised IFRSs and IFRICs that are relevant to its operations and effective for the current financial year. The adoption of these new and revised IFRSs and IFRICs did not result in changes to the Company and its subsidiaries’ (the “Group’s”) accounting policies and has no material effect on the amounts reported for the current or prior years.

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

IASs, IFRSs and IFRICs issued but not yet effective

At the date of authorisation of these consolidated financial statements, the following IASs, IFRSs and IFRICs were issued but not yet effective:

IAS, IFRS	Title	Effective date (annual periods beginning on or after)
IFRS 16	Amendment to IFRS 16: <i>Covid-19- Related Rent Concessions</i>	1 June 2020
Various	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: <i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Various	Annual Improvements to IFRSs 2018-2020	1 January 2022
IFRS 3	Amendments to IFRS 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
IAS 16	Amendments to IAS 16: <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
IAS 37	Amendments to 37: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
IAS 1	Amendments to IAS 1 and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
IAS 1	Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
IAS 8	Amendments to IAS 8: <i>Definition of Accounting Estimates</i>	1 January 2023
IFRS 17	Amendments to IFRS 17 <i>Insurance Contracts</i>	1 January 2023

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Company does not intend to early adopt any of the above new or revised standards, interpretations and amendments to the existing standards. Management anticipates that the adoption of the aforementioned new or revised standards will not have a material impact on the consolidated financial statements of the Company in the period of their initial adoption.

2.2 Basis of consolidation

The consolidated financial statements of the Group comprise the consolidated financial statements of the Company and its subsidiaries. The comparatives for 2019 represents the operations of Springleaf Engineering Pte. Ltd. and its subsidiaries (Note 4).

The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation and principal place of business	Principal activities	Effective equity held by the Company	
			2020 %	2019 %
<b>Held directly by the Company</b>				
Springleaf Engineering Pte. Ltd. (“Springleaf”)	Singapore	Engineering activities	100	-
BYT Singapore Pte Ltd	Singapore	Investment holdings	100	-
<b>Held by Springleaf</b>				
Shanghai Xin Da Process Engineering Co., Ltd.	Shanghai, China	Engineering services	100	100
Springleaf-Biomax (Shanghai) Pte. Ltd.	Shanghai, China	Provide waste management solutions in China	60	60

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

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**2. Summary of significant accounting policies (Continued)**

**2.2 Basis of consolidation (Continued)**

On 20 November 2020, BYT Singapore Pte. Ltd. (formerly, SLE Technologies Pte. Ltd.) a 100% owned subsidiary of the Company, was incorporated in Singapore.

Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Company reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**2.3 Revenue recognition**

The Group is principally in the business of providing engineering services. Revenue from contracts with its customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the goods or service and that is allocated to that performance obligation. The good or service is transferred when or as the customer obtains control of the goods or service.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**  
Expressed in Singapore Dollars

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**2. Summary of significant accounting policies (Continued)**

**2.3 Revenue recognition (Continued)**

Engineering contracts

The Group provides engineering services such as project management and detail design, build-up and installation of mechanical and electrical systems.

Revenue from the engineering contracts is recognised over time, using the input method to measure progress towards complete satisfaction of the service, as the customer simultaneously receives and consumes the benefits provided by the Group. In the application of the input method, the Group has used cost-to-cost method (i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated contract costs). Contract costs are mainly driven by labour and consultants' costs. Accordingly, in view of the nature of the engineering services, management considers that this input method is most appropriate in measuring the progress towards complete satisfaction of these performance obligations under IFRS 15.

Rendering of services

The Group provides comprehensive maintenance services after project design, build-up and installation.

Revenue from rendering of services is recognised at a point of time when the services have been performed and rendered.

Trading income

The Group sells a range of engineering spare parts to its customers. Revenue is recognised at a point in time when the control of the goods is transferred to the customers (i.e. when the goods are delivered in accordance with the applicable terms and conditions and significant risks and rewards of ownership of the goods have been transferred to the customer).

**2.4 Borrowing costs**

Borrowing costs are recognised in profit or loss in the period in which they are incurred, using the effective interest method. Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets for periods preceding the dates the assets are available for their intended use.

**2.5 Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. Pursuant to the relevant laws and regulations of the People's Republic of China, the Company participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Company makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

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**2. Summary of significant accounting policies (Continued)**

**2.6 Employee leave entitlements**

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

**2.7 Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

**2.8 Dividends**

Equity dividends are recognised as a liability when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders. A corresponding amount is recognised in equity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

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**2. Summary of significant accounting policies (Continued)**

**2.9 Foreign currency transactions and translation**

Foreign currency transactions are translated into the individual entities' functional currency at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

**2.10 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

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**2. Summary of significant accounting policies (Continued)**

**2.10 Property, plant and equipment (Continued)**

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment	3 years
Plant and machinery	3 years
Furniture & fittings	3 – 5 years
Motor vehicles	3 years
Freehold property	50 years

No depreciation is charged on work in progress as these assets are not yet in use as at the end of the financial year.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss. Fully depreciated property, plant and equipment are retained in the consolidated financial statements until they are no longer in use.

**2.11 Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**2.12 Impairment of tangible assets**

The Group reviews the carrying amounts of its tangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and its value-in-use. 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.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

---

**2. Summary of significant accounting policies (Continued)**

**2.13 Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

**Financial assets**

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets are initially measured at fair value, plus transaction costs.

Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (FVTPL) and fair value through profit or loss (“FVTPL”). The classification at initial recognition depends on the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group’s business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset’s contractual cash flows are solely payments of principal and interest (“SPPI”) on the principal amount outstanding to determine the classification of the financial assets.

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**  
Expressed in Singapore Dollars

---

**2. Summary of significant accounting policies (Continued)**

**2.13 Financial instruments (Continued)**

Impairment of financial assets (Continued)

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVTOCI. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group uses a practical expedient to recognise the ECL for trade receivables and unbilled revenue, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivable.

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

---

**2. Summary of significant accounting policies (Continued)**

**2.13 Financial instruments (Continued)**

*Ordinary share capital*

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

**Financial liabilities and equity instruments**

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

*Trade and other payables*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

*Interest-bearing loans and borrowings*

Interest-bearing loans and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.4 above). A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Derecognition of financial liabilities

The Group derecognise financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

**Offsetting of financial instruments**

A financial asset and a financial liability shall be offset and the net amount presented in the statements of financial position when, and only when, an entity:

- (a) Currently has a legally enforceable right to set off the recognised amounts; and
- (b) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneous.

**2.14 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits with financial institutions and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

---

**2. Summary of significant accounting policies (Continued)**

**2.15 Leases**

Effective January 1, 2019, the Company adopted all of the requirements of IFRS 16. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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

Where a contract contains more than one lease component, the Company allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component. Where the contract contains non-lease components, the Company applied the practical expedient to not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Company recognises a right-of-use asset and lease liability at the lease commencement date for all lease arrangement for which the Company is the lessee, except for leases which have lease term of 12 months or less and leases of low value assets for which the Company applied the recognition exemption allowed under IFRS 16. For these leases, the Company recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

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

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

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

The Company generally uses the incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

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**2. Summary of significant accounting policies (Continued)**

**2.15 Leases (Continued)**

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

- fixed payments, including in-substance fixed payments less any lease incentive receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable under a residual value guarantee,
- the exercise price under a purchase option that the Group is reasonably certain to exercise, and
- payments of penalties for terminating the lease if the Group is reasonably certain to terminate early and lease payments for an optional renewal period if the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. The Company remeasures the lease liability when there is a change in the lease term due to a change in assessment of whether it will exercise a termination or extension or purchase option or due to a change in future lease payment resulting from a change in an index or a rate used to determine those payment.

Where there is a remeasurement of the lease liability, a corresponding adjustment is made to the right-of-use asset or in profit or loss where there is a further reduction in the measurement of the lease liability and the carrying amount of the right-of-use asset is reduced to zero.

The Company as a lessor

Where a contract contains more than one lease and/or non-lease component, the Company allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component.

At the lease commencement date, the Company assess and classify each lease as either an operating lease or a finance lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

*Operating Leases*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**2.16 Provisions**

Provisions are recognised when the Group have a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

---

**2. Summary of significant accounting policies (Continued)**

**2.16 Provisions (Continued)**

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

**2.17 Contingencies**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

**2.18 Government grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense, the grant is recognised as income in profit or loss on a systematic basis over the periods in which the related costs, for which the grants are intended to compensate, is expensed. Where the grant relates to an asset, the grant is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

Non-monetary government grant is recognised at nominal amount.

**2.19 Net loss per share**

Basic loss per common share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding options of the Company. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is antidilutive.

**2.20 Operating segments**

Operating segment results are reviewed regularly by the chief operating decision makers, which in this case are the Executive Director and Chief Operating Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

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**3. Critical accounting judgements and key sources of estimation uncertainty**

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

**3.1 Determination of functional currency**

The Group translates foreign currency items into the respective functional currencies of the Company and its subsidiary. In determining the functional currencies of the respective entities, judgement is used by the Group to determine the currency of the primary economic environment in which the respective entities operate. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

**3.2 Key sources of estimation uncertainty**

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Engineering contracts revenue

The Group recognises engineering contract revenue and contract costs using the percentage-of-completion method based on management's estimate, which requires significant assumptions to estimate the total contract costs that impact the stage of completion based on the contract costs recognised to date. In making these estimates, management has relied on past experience.

The carrying amount of the construction contract work-in-progress as at the end of the reporting period can be subjected to uncertainty in respect of the variation works and estimation of future costs. The Company adopts a conservative approach in evaluating these uncertainties. Refer to Note 10 to the consolidated financial statements for the disclosure on the carrying amount of the Company's assets and liabilities arising from contract work-in-progress as at 31 December 2020 and 2019.

Depreciation of property, plant and equipment

The Group depreciated the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**  
Expressed in Singapore Dollars

---

**3. Critical accounting judgements and key sources of estimation uncertainty (Continued)**

**3.2 Key sources of estimation uncertainty (Continued)**

Measurement of ECL of trade receivables and contract assets

The Group used an allowance matrix to measure ECL for trade receivables and contract assets. The ECL rates are based on the Company's historical loss experience of the customers, for the last 3 years prior to the reporting date for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables and contract assets. In considering the impact of the economic environment on the ECL rates, the Group assessed, for example, the gross domestic production growth rates of the country and the growth rates of the major industries in which its customers operate. The Group adjusts the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future.

Provision for income taxes

The Group have exposure to income taxes of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognise liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made.

**BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

**4. Reverse takeover transaction**

On May 8, 2020, BYT Holdings Ltd (“BYT”) completed the acquisition of Springleaf Engineering Pte Ltd (“Springleaf”).

Although the acquisition resulted in Springleaf becoming a wholly owned subsidiary of BYT, the transaction constitutes a reverse acquisition of BYT by Springleaf in as much as the former shareholders of Springleaf received 90.53%, on a non-diluted basis, of the issued and outstanding common shares of the resulting corporation. For accounting purposes, Springleaf is considered the acquirer and BYT the acquiree.

The Amalgamation was accounted for in accordance with IFRS 2, Share-based Payments. The Amalgamation is considered to be a reverse takeover of BYT by Springleaf. A reverse takeover transaction involving a non-public operating entity and a non-operating public company is in substance a share-based payment transaction, rather than a business combination. The transaction is equivalent to the issuance of equity instruments by Springleaf for the net liabilities and eventual public listing status of the non-operating company, BYT. The share capital, reserves and deficit of BYT is eliminated on the reverse takeover transaction date with the difference between the fair value of identifiable net assets acquired and consideration being recorded as listing expense in the consolidated statement of loss and comprehensive loss.

The fair value of the identifiable net liabilities acquired, and consideration is as follows:

	<u>Fair values</u> C\$	<u>Fair values</u> S\$
<b>Fair value of identifiable net assets</b>		
Cash	5,905	6,023
Accounts payable and accrued liabilities	(9,406)	(9,594)
	<u>(3,501)</u>	<u>(3,571)</u>
<b>Consideration:</b>		
Fair value of 4,600,000 common shares issued at C\$0.417 or S\$0.425 per share	1,916,627	1,954,959
	1,920,128	1,958,530
Legal fees	73,436	74,905
Consultancy fees	46,295	47,221
Professional fees	45,098	46,000
<b>Total Listing expenses</b>	<u>2,084,957</u>	<u>2,126,656</u>

The fair value per share was measured to be C\$0.417 or S\$0.425 based on the price of the private placement receipts issued by Springleaf to third parties in January 3, 2020 (Note 16).



BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

5. Revenue

	<u>2020</u> S\$	<u>2019</u> S\$
Revenue from contracts with customers (over time)	3,185,637	4,905,052
Service and maintenance income (point in time)	3,634,863	3,409,966
Trading income (point in time)	355,088	10,740
Total	<u>7,175,588</u>	<u>8,325,758</u>

6. Expenses

	<u>2020</u> S\$	<u>2019</u> S\$
Subcontractors	3,542,521	4,595,452
Supply workers' wages	303,004	440,423
Trading cost	177,319	5,254
Inventories cost	104,758	-
Rental of office premise	104,178	121,546
Staff cost - Administrative	1,345,701	1,512,924
Depreciation	120,834	239,023
Impairment loss	694,740	-
Other expenses	1,566,459	704,465
Total	<u>7,959,514</u>	<u>7,619,087</u>

Reported as:

	<u>2020</u> S\$	<u>2019</u> S\$
Cost of sales	4,127,602	5,041,129
Administrative expenses	2,385,013	871,114
Other operating expenses	1,446,899	1,706,844
Total	<u>7,959,514</u>	<u>7,619,087</u>

7. Other income

	<u>2020</u> S\$	<u>2019</u> S\$
Interest income	60,889	240,519
Foreign exchange gain, net	8,977	8,797
Government grants	151,189	10
Gain on disposal of property, plant and equipment	280,809	-
Rental income	66,070	-
Others	97	-
Total	<u>568,031</u>	<u>249,326</u>

**BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

**7. Other income (Continued)**

Government grants received comprise:-

	<u>2020</u> S\$	<u>2019</u> S\$
Jobs Support Scheme	117,048	-
Foreign Workers Levy Rebate	28,200	-
Temporary Housing Support	1,400	-
Leave of Absence Support	1,400	-
Government-Paid Paternity Leave	2,946	-
Special Employment Credit	195	10
	<hr/>	<hr/>
Total	<u>151,189</u>	<u>10</u>

The Government of Singapore introduced the Unity Budget on February 2020 against a backdrop of the on-going COVID-19 outbreak, as well as broader uncertainties in the landscape. In the Unity Budget, the Jobs Support Scheme (JSS) provides wage support for employers to retain their local employees (Singapore Citizens and Permanent Residents) during this period of economic uncertainty. Eligible employers will be notified by post of their payout amount. Employers are to ensure that mandatory Central Provident Fund (“CPF”) contributions made for their employees are accurate, so that they receive the right amounts of JSS payout. No application is required, as the Government will determine the payout amounts based on the CPF record. There are severe penalties for any attempt to abuse the JSS. Other than having their JSS payouts denied, offenders can be charged under Section 420 of the Penal Code, where they may face up to 10 years of imprisonment and a fine. The Company is in compliance with this requirement.

The Government of Singapore announced the Solidarity Budget on April 2020. The Solidarity Budget complements measures introduced under the Unity Budget on February 2020 and aims to address the rapidly evolving COVID-19 pandemic and its impact on Singapore’s economy and society. As part of the Solidarity Budget announced, the Singapore Government provided business employers who hire foreign workers on work permits and S-passes with Foreign Worker Levy (“FWL”) waivers and FWL rebates to ease the labour costs of such firms during the circuit breaker period (Singapore Government started to impose circuit breaker period in early of April 2020). No application required, as the Government will determined the payout amounts based on the foreign worker pass holder record.

**8. Finance costs**

	<u>2020</u> S\$	<u>2019</u> S\$
Interest expenses on:		
Interest-bearing loans	157,535	123,973
Trust receipts	12,958	23,257
Hire purchase	-	1,360
Bank interest charges	6,503	-
	<hr/>	<hr/>
Total	<u>176,996</u>	<u>148,590</u>

**BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

**9. Income tax**

The main operation subsidiary is incorporated in Singapore and accordingly is subject to income tax rate of 17%.

	<u>2020</u> S\$	<u>2019</u> S\$
At beginning of the year	258,178	695,919
Payments made during the year	(184,057)	(628,774)
Under provision in prior years	52,992	-
Provision for the year	<u>184,506</u>	<u>191,033</u>
At end of the year	<u>311,620</u>	<u>258,178</u>
	<u>2020</u> S\$	<u>2019</u> S\$
Current year tax	184,506	185,925
Under provision in prior years	<u>52,992</u>	<u>5,108</u>
	<u>237,498</u>	<u>191,033</u>

The reconciliation of the combined Canadian Federal and Provincial statutory tax rate of 27% (2019 – 17% as it represented the operations of Springleaf alone) to the effective tax rate is as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Profit before income tax	<u>(2,519,547)</u>	<u>807,407</u>
Income tax at the rate of 27% (2019 – 17%)	(680,278)	137,259
Tax effect of:		
Non-deductible expenses	30,139	51,636
Non-deductible financing costs	120,272	-
Government grant	(31,173)	-
Gain on disposal of property	(75,757)	-
Non-deductible professional fees	66,517	-
Stamp duty on sale of property	52,920	-
Listing expense	528,803	-
Timing differences	187,592	34,394
Tax incentives and rebates	-	(19,939)
Tax effect statutory stepped income exemption	-	(17,425)
Tax rate differences	(114,172)	-
Under provision in prior years	-	5,108
Change in tax benefits not recognized	<u>152,635</u>	<u>-</u>
At end of the year	<u>237,498</u>	<u>191,033</u>

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

9. Income tax (Continued)

The Company's income tax expense is allocated as follows:

Current income tax expense	237,498	191,033
Deferred tax expense	-	-
	<u>237,498</u>	<u>191,033</u>
At end of the year	<u>237,498</u>	<u>191,033</u>

**Unrecognized deferred tax assets**

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Share issuance costs – 20(1)(e)- Canada	49,767
Non-capital losses carried forward - Canada	232,406
Tax loss and timing differences - Singapore	190,092
Tax loss - China	275,276

Share issue and financing costs will be fully amortized in 2024.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

**Canada**

2040	49,767
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**China**

2024	184,796
2025	90,480
	<u>\$275,276</u>

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

10. Property, plant and equipment

<u>Group</u>	<u>Office equipment</u> S\$	<u>Plant &amp; Machinery</u> S\$	<u>Furniture &amp; fittings</u> S\$	<u>Motor vehicles</u> S\$	<u>Freehold property</u> S\$	<u>Work-in-progress</u> S\$	<u>Total</u> S\$
<b>Cost</b>							
At 1 January 2019	191,707	30,000	265,164	230,025	1,638,360	-	2,355,256
Additions	12,246	112,824	7,330	-	1,797,100	1,008,820	2,938,320
At 31 December 2019	203,953	142,824	272,494	230,025	3,435,460	1,008,820	5,293,576
Additions	4,696	22,031	-	-	-	1,444,770	1,471,497
Disposal	(12,726)	(30,000)	(45,312)	(143,500)	(1,797,100)	-	(2,028,638)
Exchange differences	-	754	-	-	-	58,728	59,482
At 31 December 2020	195,923	135,609	227,182	86,525	1,638,360	2,512,318	4,795,917
<b>Accumulated depreciation</b>							
At 1 January 2019	164,311	30,000	190,740	163,842	33,000	-	581,893
Depreciation	22,699	34,250	76,003	48,508	57,563	-	239,023
At 31 December 2019	187,010	64,250	266,743	212,350	90,563	-	820,916
Depreciation	14,427	40,069	2,740	17,675	45,923	-	120,834
Disposal	(12,725)	(30,000)	(42,479)	(143,500)	(81,486)	-	(310,190)
Exchange differences	-	71	-	-	-	-	71
At 31 December 2020	188,712	74,390	227,004	86,525	55,000	-	631,631
<b>Carrying amount</b>							
At 31 December 2020	7,211	61,219	178	-	1,583,360	2,512,318	4,164,286
At 31 December 2019	16,943	78,574	5,751	17,675	3,344,897	1,008,820	4,472,660

Included in freehold property is an office building with an estimated cost of S\$550,000 which is depreciated over 50 years. The freehold property with net book value of S\$1,583,360 (2019: S\$3,344,897) is mortgaged to obtain interest-bearing loans.

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

11. Inventories

	<u>2020</u> S\$	<u>2019</u> S\$
Inventory held for sale	162,636	-

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

12. Contract assets and liabilities from contracts with customers

	<u>2020</u> S\$	<u>2019</u> S\$
<b>Contract assets</b>		
Unbilled revenue	114,578	576,809

The unbilled revenue relates to the revenue recognised to date but has not been invoiced to the customer as at the financial year end and is transferred to trade receivables at the point when it is invoiced to the customers.

A reconciliation of the beginning and ending carrying amounts of unbilled revenue and deferred revenue is as follows:

	<u>Unbilled revenue</u>		<u>Deferred revenue</u>	
	<u>2020</u> S\$	<u>2019</u> S\$	<u>2020</u> S\$	<u>2019</u> S\$
Beginning balance	576,809	726,991	-	(827,226)
Revenue earned in the year	1,701,928	1,821,457	-	869,693
Billings in the year	(2,164,159)	(1,971,639)	-	(42,467)
Closing balance	114,578	576,809	-	-

13. Trade and other receivables

	<u>2020</u> S\$	<u>2019</u> S\$
Trade receivables	1,837,599	1,637,055
Less: Expected credit loss (Note 24)	(694,740)	-
	1,142,859	1,637,055
Other receivables	1,673,985	1,498,352
Deposits	679,212	1,681,976
Prepayments	138,466	168,854
Total	3,634,522	4,986,237

Trade receivables are non-interest bearing and the average credit period is 30 (2019: 30) days according to the terms agreed with the customers. These are recognised at their original invoice amounts which represent their fair values on initial recognition. Included in trade receivables is an overdue trade receivable amounting to S\$694,740 which was fully provided.

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

13. Trade and other receivables (Continued)

Included in the deposits is a deposit for exclusive distributorship agreement with a supplier, with a carrying amount as at 31 December 2020 of S\$500,000 (2019: S\$500,000). The Group has filed a civil suit against the supplier in the General Division of the High Court of the Republic of Singapore. Please refer to Note 20 for disclosure of the ongoing litigation.

Included in the other receivables is a loan granted to a supplier, with a carrying amount as at 31 December 2020 of S\$1,000,000 (2019: S\$1,040,000). The interest rate on the loan amounted to 2% per month and is due for repayment on 30 June 2020. The loan is secured by way of personal guarantee by the supplier. The Group has filed a civil suit against the supplier in the General Division of the High Court of the Republic of Singapore. Please refer to Note 20 for disclosure of the ongoing litigation. Please refer to Note 24 for the disclosure of credit risk and ECL.

Also included in the other receivables is a keyman insurance purchased where the proposer as well as the premium payer is a subsidiary. The life to be insured is that of the Group's key employee and the benefit, in case of a claim, goes to the Group. As at 31 December 2020, the fair value of the investment amounting to S\$458,352 (2019: S\$458,352) is based on the guaranteed cash surrender value as agreed in the insurance policy.

The currency profile of the Company's trade and other receivables is as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Singapore dollar	3,383,935	2,687,926
United States dollar	-	1,702,923
Chinese Renminbi	<u>250,587</u>	<u>595,388</u>
	<u>3,634,522</u>	<u>4,986,237</u>

The movement in the loss allowance during the financial year as follows:

	<u>Trade receivables</u> S\$
<b>Balance at January 1, 2019</b>	-
Expected credit loss recognized	<u>-</u>
<b>Balance at December 31, 2019</b>	-
Expected credit loss recognized	<u>694,740</u>
<b>Balance at December 31, 2020</b>	<u>694,740</u>

The details of the impairment of trade receivables and credit exposures are disclosed in Note 24.

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

14. Fixed deposit

The fixed deposit is pledged to bank as security for banking facilities extended to the Company. It has a maturity period of 366 days (2019: 366 days) and bears an interest of 0.05% (2019: 1.4%) per annum.

15. Cash and cash equivalents

	<u>2020</u> S\$	<u>2019</u> S\$
Cash on hand	1,113	8,529
Bank balances	4,593,113	1,689,405
	<u>4,594,226</u>	<u>1,697,934</u>

The currency profile of the Company's cash and cash equivalents is as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Singapore dollar	4,538,250	857,414
United States dollar	13,045	788,188
Chinese Renminbi	23,053	52,332
Canadian dollar	19,878	-
	<u>4,594,226</u>	<u>1,697,934</u>

16. Share capital

a) Authorised

Unlimited number of common shares with no par value.

b) Issued and fully paid

	<u>Number of</u> <u>shares</u>	<u>S\$</u>
<b>Balance, January 1, 2019</b>	308,000	370,000
<b>Shares issued during the year</b>	30,495	99,403
<b>Balance, December 31, 2019</b>	<b>338,495</b>	<b>469,403</b>
Shares issued on private placement	11,815	630,000
Elimination of Springleaf shares on RTO	(350,310)	-
Replacement of shares of Springleaf	43,952,082	-
Shares issued under reverse acquisition (Note 4)	4,600,000	1,954,959
Shares issued on private placement	29,545,556	2,659,100
Foreign currency translation		71,585
At the end of the year	<u>78,097,638</u>	<u>5,785,047</u>



**BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

**16. Share capital (Continued)**

On August 23, 2019, the Company issued 30,495 Ordinary shares at S\$3.26 per share for gross proceeds of \$99,403.

On January 3, 2020, Springleaf issued 11,815 ordinary shares for aggregate gross proceeds of \$630,000.

On May 8, 2020, at the closing of the RTO transaction, 43,952,082 shares of the Company were issued to Springleaf's shareholders on the basis of 125.4:1.

On December 29, 2020, the Company completed a private placement of 29,545,556 common shares at C\$0.0873 or S\$0.09 for gross proceeds of C\$2,579,327 or S\$2,659,100.

**17. Interest bearing loans and borrowings**

	<u>2020</u> S\$	<u>2019</u> S\$
Interest bearing loans and borrowings	3,608,284	4,641,284
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,016,585)</u>	<u>(1,540,134)</u>
Amount due for settlement after 12 months	<u>2,591,699</u>	<u>3,101,150</u>

The interest-bearing loans and borrowings with repayment terms are as follows:

<u>Carrying amount</u>	<u>1 year or less</u> S\$	<u>2 to 5 years</u> S\$	<u>More than 5 years</u> S\$	<u>Total</u> S\$
<b>2020</b>				
Term loan I	47,167	-	-	47,167
Term loan II	24,652	-	-	24,652
Business instalment loan	64,976	-	-	64,976
Fixed advance facility	600,000	-	-	600,000
Bridging loan I	153,040	610,453	-	763,493
Bridging loan II	83,333	916,667	-	1,000,000
Property loan I	43,417	182,977	881,602	1,107,996
Total	<u>1,016,585</u>	<u>1,710,097</u>	<u>881,602</u>	<u>3,608,284</u>
<b>2019</b>				
Term loan I	104,812	48,123	-	152,935
Term loan II	70,050	24,762	-	94,812
Business instalment loan	103,552	65,212	-	168,764
Fixed advance facility	600,000	-	-	600,000
Property loan I	27,633	127,837	994,941	1,150,411
Property loan II	64,409	200,340	1,288,810	1,553,559
Working capital loan	111,282	-	-	111,282
SME loan I	58,319	151,908	-	210,227
SME loan II	71,145	164,598	-	235,743
Business term loan	15,501	34,619	-	50,120
Trust receipts I	202,311	-	-	202,311
Trust receipts II	111,120	-	-	111,120
Total	<u>1,540,134</u>	<u>817,399</u>	<u>2,283,751</u>	<u>4,641,284</u>

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

17. Interest bearing loans and borrowings (Continued)

The terms and repayment schedule of interest-bearing loans and borrowings are as followings:

	<u>Carrying amounts</u> S\$	<u>Contractual interest rate</u>	<u>Year of maturity</u>	<u>*Security</u>	<u>Contractual cash flows</u> S\$	<u>1 year or less</u> S\$	<u>2 to 5 years</u> S\$	<u>More than 5 years</u> S\$
<b>2020</b>								
Term loan I	47,167	8.88%	2021	(i)	48,349	48,349	-	-
Term loan II	24,652	8.00%	2021	(i)	25,076	25,076	-	-
Business instalment loan	64,976	9.00%	2021	(i)	66,998	66,998	-	-
Fixed advance facility	600,000	5.47%	2021	(ii), (v)	632,892	632,892	-	-
Bridging loan I	763,493	2.50%	2025	(i)	810,543	170,375	640,168	-
Bridging loan II	1,000,000	2.75%	2025	(i)	1,074,450	110,545	963,905	-
Property loan I	1,107,996	5.25%	2041	(i), (iii)	1,362,005	65,960	263,843	1,032,202
Total	<u>3,608,284</u>				<u>4,020,313</u>	<u>1,120,195</u>	<u>1,867,916</u>	<u>1,032,202</u>
<b>2019</b>								
Term loan I	152,935	8.88%	2021	(i)	163,478	114,278	49,200	-
Term loan II	94,812	8.00%	2021	(i)	100,392	75,207	25,185	-
Business instalment loan	168,764	9.00%	2021	(i)	182,000	114,765	67,235	-
Fixed advance facility	600,000	5.59%	2020	(ii), (v)	600,000	600,000	-	-
Property loan I	1,150,411	5.25%	2041	(i), (iii)	2,007,545	92,819	371,275	1,543,451
Property loan II	1,553,559	1.98% - 6.5%	2039	(i), (iv)	2,620,129	96,584	521,040	2,002,505
Working capital loan	111,282	7.00%	2020	(i)	118,398	118,398	-	-
SME loan I	210,227	6.25%	2023	(i)	233,900	70,017	163,883	-
SME loan II	235,743	8.88%	2022	(i)	270,011	89,518	180,493	-
Business term loan	50,120	6.75%	2022	(i)	55,609	18,458	37,151	-
Trust receipts I	202,311	4.20%	2020	(i)	202,311	202,311	-	-
Trust receipts II	111,120	6.00%	2020	(i)	111,120	111,120	-	-
Total	<u>4,641,284</u>				<u>6,664,893</u>	<u>1,703,475</u>	<u>1,415,462</u>	<u>3,545,956</u>

The interest-bearing loans and borrowings are secured by the following:

- (i) Joint and personal guarantees by the directors of the Company.
- (ii) Charge on fixed deposit value of S\$507,019 (2019: S\$500,000).
- (iii) Mortgage over property located at 421 Tagore Industrial Avenue #01-28 Tagore 8 Singapore 787805. The book value of the property at December 31, 2020 is S\$1,583,360
- (iv) Mortgage over property located at 31 Bukit Batok Crescent #01-19 Singapore 658070. (Settled on October 6, 2020)
- (v) Corporate guarantees by BYT Holdings Ltd.

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

18. Trade and other payables

	<u>2020</u> S\$	<u>2019</u> S\$
Trade payables	628,156	622,705
Dividends payable	400,000	700,000
Accruals	647,559	477,437
GST payables	193,870	40,598
Deposit received	-	645,000
Other payables	46,116	3,236
	<u>1,915,701</u>	<u>2,488,976</u>
Total	<u>1,915,701</u>	<u>2,488,976</u>

Trade payables are non-interest bearing and the average credit period on purchases of goods ranges from 30 to 60 days (2019: 30 to 60) according to the terms agreed with the suppliers.

In the previous financial year, deposit received mainly consists of advance consideration received from the non-brokered private placement and deposit collected for the property rented out.

The currency profile of the Company's trade and other payables is as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Singapore dollar	1,661,643	2,478,253
Chinese Renminbi	112,276	10,723
Canadian dollar	141,782	-
	<u>1,915,701</u>	<u>2,488,976</u>

19. Amount due from a shareholder

Amount due from a shareholder was non-trade in nature, unsecured, interest-free, repayable on demand, advances for business expenses and denominated in Singapore dollar. The amount was settled in the financial year 2019.

20. Contingencies

During the financial year 2020, Springleaf Engineering Pte Ltd ("**Springleaf**"), a wholly-owned subsidiary of the Company, filed a civil suit against a supplier ("**defendant**") in the General Division of the High Court of the Republic of Singapore (the "**Suit**").

- a. Springleaf is claiming for the return of a S\$500,000 deposit paid under an exclusive distributorship agreement ("**EDA**") on the basis that the EDA is not valid and enforceable. The defendant has counterclaimed on the basis that the EDA is valid and enforceable.
- b. Springleaf is claiming for the sum of S\$1,270,000 which comprises the sum loaned to the defendant and relevant interests.
- c. And Springleaf is claiming under a personal guarantee given by a director of the defendant to pay up to the sum of S\$1,000,000 in the event the defendant fails to repay the loan extended to it by Springleaf as mentioned above.

**BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

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**20. Contingencies (Continued)**

The case is still at the early stage of the proceedings, i.e. the pleading stage, and Court directions for general discovery (i.e. the stage where relevant documents are disclosed and produced by the parties) have not been given. Presently, the parties are still in the process of resolving various procedural issues, such as amendment of pleadings and requests for further and better particulars, before the general discovery stage can commence.

Contemporaneous with the continuation of the Suit, one director of Springleaf has agreed to pledge part of his common shares in BYT Holdings Ltd, as collateral to guarantee the payment of these loan balances which are in excess to the claim amount. At the date of the audit report, the fair value of the 5 Million shares pledged was C\$1,650,000. In the event that Springleaf fails to recover the full claim amount under the suit, nominees of Springleaf may exercise the pledge shares to recover the same. Hence, no provision of liability has been recognized as at financial year ended December 31, 2020.

**21. Dividends declared**

No dividend was declared during the year.

**22. Significant related party transactions**

The effect of the Company's transactions and arrangements with related parties is reflected in these consolidated financial statements.

Key management personnel:

	<u>2020</u> S\$	<u>2019</u> S\$
Remuneration		
-Directors' remuneration	309,850	234,525
-Central Provident Fund contributions for the Directors	36,720	27,935
	<u>346,570</u>	<u>262,460</u>
Total	<u>346,570</u>	<u>262,460</u>

**23. Fair value of assets and liabilities**

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and payables, approximate their respective fair values due to the relative short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the consolidated financial statements.

**24. Financial instruments and financial risks**

The Company's activities expose it to credit risk, market risk (including foreign currency risk and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

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**24. Financial instruments and financial risks (Continued)**

Risk management is integral to the whole business of the Company. The management continually monitors the Company's risk management process 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. Market risk exposure is measured using sensitivity analysis indicated below.

***Credit risk***

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company's credit risk arises mainly from bank balances and trade receivables. Bank balances are mainly deposits with banks with high credit-ratings and the Company does not expect the impairment loss from bank balances to be material, if any.

To assess and manage its credit risks, the Company categorises the aforementioned financial assets according to their risk of default. The Company defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received for accounts due for more than 90 days.

Due to the nature of the industry that the Company operates in, the Company has rebutted the presumption that default has taken place when a financial asset is more than 30 days past due as per IFRS 9.

In their assessment, the management considers, amongst other factors, historical credit experiences and latest available financial information.

**Note 1. Low credit risk**

The financial asset is determined to have low credit risk if the financial assets have a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Company assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

**Note 2. Significant increase in credit risk**

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In assessing the significance of the change in the risk of default, the Company considers both past due and forward looking quantitative and qualitative information. Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Group's future outlook of the industry in which the debtor operates and the most recent news or market talks about the debtor, as applicable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars**

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**24. Financial instruments and financial risks (Continued)**

***Credit risk (Continued)***

Note 2. Significant increase in credit risk (Continued)

In its assessment, the Company will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset.

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Company assesses whether one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

Note 4. Write off

Generally, the Company writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cashflows to repay the amounts subjected to the write-off.

The Company performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Company do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

As at the end of the financial year, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Trade receivables (Note 12) and contract assets (Note 11)

The Group uses the practical expedient under IFRS 9 in the form of allowance matrix to measure the ECL for trade receivables and contract assets, where the loss allowance is equal to lifetime ECL.

The ECL for trade receivables and contract assets are estimated using an allowance matrix by reference to the historical credit loss experience of the receivables for the last 3 years prior to the respective reporting dates for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the financial assets. In considering the impact of the economic environment on the ECL rates, the Company assesses, for example, the gross domestic production growth rates of the respective countries and the growth rates of the major industries which its customers operate in.

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

24. Financial instruments and financial risks (Continued)

**Credit risk (Continued)**

Trade receivables and contract assets are written off when there is evidence to indicate that the customer is in severe financial difficulty such as being under liquidation or bankruptcy and there is no reasonable expectations for recovering the outstanding balances.

In determining the credit risk for trade receivables and contract assets, the management considers, amongst other factors, particularly, its historical credit experiences, its subsequent collection and adjusted for the outlook of industry and economy. Using lifetime ECL, the Company determined that the ECL is insignificant.

The loss allowance for trade receivables and contract assets are determined as follows:

	<u>Current</u>	<u>Past due more than 1 to 30 days</u>	<u>Past due more than 31 to 60 days</u>	<u>Past due more than 61 to 90 days</u>	<u>Past due more than 90 days</u>	<u>Total</u>
<b>31 December 2020</b>						
Expected credit loss rates	0%	0%	0%	0%	100%	
Trade receivables (gross)	1,216,913	615,389	-	5,297	694,740	1,837,599
Contract assets (gross)	114,578	-	-	-	-	114,578
Loss allowance	-	-	-	-	694,740	694,740
<b>31 December 2019</b>						
Expected credit loss rates	0%	0%	0%	0%	0%	
Trade receivables (gross)	884,609	247,373	164,918	340,155	-	1,637,055
Contract assets (gross)	902,903	-	-	-	-	902,903
Loss allowance	-	-	-	-	-	-

Other receivables (Note 13)

As of 31 December 2020, the Company recorded other receivables totalling S\$1,673,985 (2019: S\$1,498,352). The Group assessed the latest performance and financial position of the receivables, adjusted for the future outlook of the industry operates in, by referring to expert publications on the industry, and for any market talks on the credit reputation and concluded that there is an increase in the credit risk, which was mitigated by obtaining additional collateral from the directors since the initial recognition of the financial asset. Included in the other receivables is a loan granted to a supplier, with a carrying amount as at 31 December 2020 of S\$1,000,000 (2019: S\$1,040,000). The loan extension was granted until June 30, 2020. The loan is secured by way of personal guarantee by the supplier, additional collateral granted to the Company by way of shares pledged in favour of the Company by one Director (Note 20). Accordingly, the Group measured the impairment loss allowance using lifetime ECL and determined that the ECL is insignificant.

The Company's overdue trade receivables at December 31, 2020, had a gross carrying amount of S\$694,740. This was related to a customer that entered into a settlement agreement with the Company which will require repayment by way of 23 monthly instalments at an effective interest rate of approximately 7.5% per annum. The receivable is secured by way of a personal guarantee from the customer. Given the uncertainty in collection, the Company recognized an expected credit loss of S\$694,740 for the year ended December 31, 2020.

Trade receivables that are past due but not impaired are substantially from companies with a good collection track record with the Group.

At the end of the reporting date, trade receivables from 1 (2019: 1) customer accounted for approximately 83% (2019:64%) of total trade receivables of the Company. The remaining balance is spread over numbers of diversified customers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**  
Expressed in Singapore Dollars

**24. Financial instruments and financial risks (Continued)**

***Credit risk (Continued)***

Major Customer

The Company has one major customer that accounted for approximately 78.86% and S\$5,659,063 of sales for the year ended December 31, 2020 (2019: 82.63% and S\$6,879,489). The Company expects to maintain this relationship with the customer.

***Market risk***

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

Foreign currency risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

*Exposure to currency risk*

The Group incurs foreign currency risk on sales that are denominated in currencies other than Singapore dollar. The currency giving rise to this primarily is United States dollar ("USD"). Balances denominated in other foreign currencies have inconsequential risks.

The carrying amounts of the Group's USD denominated monetary assets as at the end of the financial year are as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Trade and other receivables	-	1,702,923
Cash and cash equivalents	13,045	788,188
Total	<u>13,045</u>	<u>2,491,111</u>

*Foreign currency sensitivity analysis*

The Company is mainly exposed to United States dollar.

The following table details the Group's sensitivity to a 10% (2019: 10%) change in various foreign currencies against Singapore dollar ("SGD"). The sensitivity analysis assumes an instantaneous 10% (2019: 10%) change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

	<u>2020</u> S\$	<u>2019</u> S\$
<b><i>Strengthens/weakens against SGD</i></b>		
United States dollar	<u>1,305</u>	<u>373,993</u>



BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
Expressed in Singapore Dollars

24. Financial instruments and financial risks (Continued)

*Market risk (Continued)*

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Company's interest rate risk relates to interest-bearing liabilities.

The Company's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short-term borrowings.

The Group's interest rate risk arises primarily from the floating rate borrowings with financial institutions.

	<u>Principal</u> S\$	<u>Interest rate range</u>
<b><u>2020</u></b>		
Interest-bearing loans and borrowings	3,608,284	2.1% - 9.0%
<b><u>2019</u></b>		
Interest-bearing loans and borrowings	4,641,284	4.2% - 10.0%

*Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate risk for both derivatives and non-derivative instruments at the end of the financial year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial year was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 1% (2019: 1%) change in the interest rates from the end of the financial year, with all variables held constant.

	<u>Increase/Decrease in</u> <u>Profit or Loss</u>	
	<u>2020</u> S\$	<u>2019</u> S\$
Interest bearing loans and borrowings	36,082	41,667

*Liquidity risk*

Liquidity risk refers to the risk in which the Company encounters difficulties in meeting its short-term obligations. Liquidity risk is managed by matching the payment and receipt cycle.

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. The ultimate holding company has undertaken to provide financial support to the Company to meet its liabilities as and when due.

The following table details the Company's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on contractual undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Company is expected to pay. The table includes both interest and principal cash flows.

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

24. Financial instruments and financial risks (Continued)

*Liquidity risk (Continued)*

	1 year or <u>less</u> S\$	2 to 5 years S\$	More than 5 years S\$	<u>Total</u> S\$
<b>2020</b>				
<i>Undiscounted financial liabilities:</i>				
Trade and other payables	1,915,701	-	-	1,915,701
Interest-bearing loans and borrowings	<u>1,120,195</u>	<u>1,867,916</u>	<u>1,032,202</u>	<u>4,020,313</u>
	<u>3,035,896</u>	<u>1,867,916</u>	<u>1,032,202</u>	<u>5,936,014</u>
<b>2019</b>				
<i>Undiscounted financial liabilities:</i>				
Trade and other payables (excluding deposit received)	1,843,976	-	-	1,843,976
Interest-bearing loans and borrowings	<u>1,703,475</u>	<u>1,415,462</u>	<u>3,545,956</u>	<u>6,664,893</u>
	<u>3,547,451</u>	<u>1,415,462</u>	<u>3,545,956</u>	<u>8,508,869</u>

25. Capital management policies and objectives

The Group manages its capital to ensure that the Company is able to continue as a going concern while maximising the return to stakeholders through optimisation of debt and equity balance.

The capital structure of the Group consists equity attributable to owners of the Group, comprising issued share capital and unappropriated profit as disclosed in the statements of changes in equity.

The Group's management reviews the capital structure on a regularly basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends to shareholders and return capital to shareholders or issue new shares. The Group's overall strategy remains unchanged from 31 December 2019.

26. Segmented information

Operating segments

The Group has one reporting segment engaged in engineering related activities. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition, the Group's equipment is all located in Asia.

BYT HOLDINGS LTD. (FORMERLY, SLE SYNERGY LTD.) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

26. Segmented information (Continued)

Geographic segment information:

	<u>2020</u> S\$	<u>2019</u> S\$
<b>Revenue</b>		
Singapore	6,839,372	8,325,758
China	336,216	-
	<u>7,175,588</u>	<u>8,325,758</u>
<b>Profit for the year</b>		
Singapore	725	803,416
China	(89,678)	(187,042)
Canada	(2,668,092)	-
	<u>(2,757,045)</u>	<u>616,374</u>
<b>Non-current assets</b>		
Singapore	1,624,999	3,453,766
China	2,539,287	1,018,894
	<u>4,164,286</u>	<u>4,472,660</u>

Revenue is attributed to countries on the basis of the customer's location.

27. Development of COVID-19 outbreak and its corresponding impact on the Company

COVID-19 outbreak has brought about an unprecedented challenge for many entities, with increased uncertainty in the global economy. As the situation is still evolving, the full effect of the outbreak is still uncertain and the Group is therefore unable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The Group continues to monitor and evaluate any possible impact on the Group's business and will consider implementation of various measures to mitigate the effects arising from the COVID-19 situation. Based on management's latest assessment, there is no indicator that the going concern assumption used by the Group in preparing the financial statement is inappropriate.

The outbreak of the COVID-19, which started in late January 2020 in Wuhan, China has now become a global pandemic. Measures to curb the spread of the virus, including lockdowns and movement restrictions have significant negative economic and social impacts as normal daily activities are being disrupted. Therefore, it is challenging now to predict the full extent and duration of its business and economic impact.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of COVID-19 and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these consolidated financial statements. These developments could impact our future financial results, cash flows and financial condition.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**27. Development of COVID-19 outbreak and its corresponding impact on the Company (Continued)**

Our operations in Singapore and China though far been free from Covid-19 incidents but the movement restrictions imposed by the Chinese government has slow down our China operations. Singapore government started to impose Circuit Breaker Period in early of April, however our Singapore operation has yet to suffer the direct impact as we are still receiving orders from our clients as of to date.

Our operations, cash flows and financial condition could be negatively affected due to the following:

- (i) if employees are quarantined as the result of exposure to COVID-19, this could result to disruption of operations;
- (ii) the impact on the Singapore economic environment and Company's debtors will have to be taken into account in the Company's estimates of ECL provision in financial year 2020; and
- (iii) similarly, travel restrictions or operational issues resulting from the rapid spread of COVID-19 may have material adverse effect on our business and results of operations.

**28. Subsequent events.**

On January 8, 2021, the Company completed a non-brokered private placement of 26,010,000 commons shares of the Company at a price of C\$0.0873 or S\$0.09 per common share, raising aggregate gross proceeds of C\$2,270,673 or S\$2,340,900.

On February 5, 2021, the Company entered into a definitive share purchase agreement to acquire 35% of the issued share capital ("Equity Stake") of Xi'an Triumph Electronic Technology Co., Ltd, ("Xian Tech") through its wholly-owned subsidiary BYT Singapore Pte. Ltd. (formerly, SLE Technologies Pte Ltd).

On February 22, 2021, the Company closed its strategic investment of the Equity Stake for an aggregate purchase price of S\$1,750,000.