

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES
(Incorporation Number: BC1223423)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
BYT HOLDINGS LTD.
(Incorporated in Canada)**

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of BYT Holdings Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022, and the consolidated statements of income and comprehensive income, 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 Group as at December 31, 2022, 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 Group 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group for the current year. These matters were addressed in the context of our audit of the financial statements of the Group, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from engineering contracts

Refer to Note 2.3 – Summary of significant accounting policies: Revenue recognition – Engineering contracts and Note 4.

The key audit matter

The Group had a revenue of S\$2,235,444 from engineering contracts for the year ended 31 December 2022.

We have identified the revenue from engineering contracts as a key audit matter as it requires management to exercise significant judgement with respect to estimated total costs of the contracts at completion and stage of completion of the constructions.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We tested the operating effectiveness of the key controls in respect of the budgeting process of total estimated engineering costs and the continuous review process of these budgets by management. In addition, we validated the controls over the accounting process of the costs incurred for work done to date;



How the matter was addressed in our audit (Continued)

- We checked the reasonableness of the estimated total engineering costs, including allocation of costs, of significant projects to supporting documentation such as the approved budgets, contracts, quotations and change order documentation with the main contractors or sub-contractors;
- We have performed test of control on the costs incurred to date on significant projects to relevant documents such as the purchase requisition forms, purchase orders and delivery orders to ensure the documents are approved by respective personnel;
- We tested a sample of the costs incurred to date on significant projects to relevant documents such as the service report which have been verified by the respective engineer in charge;
- We discussed with management to understand the overall progress of the significant engineering projects;
- We agreed the total engineering contract project revenue, on a sample basis, to supporting documentation, such as engineering contracts, approved variation orders and correspondences with employers; and
- We checked the mathematical calculation of the percentage of completion and we tested the accuracy of the percentage of revenue and the costs recognised in the statements of comprehensive income. We also tested the journal entries to ensure that the revenue and costs are recorded appropriately.

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

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Group for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Mee Ling.

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Singapore Dollars

	Note	Year Ended December 31,	
		<u>2022</u>	<u>2021</u>
		S\$	S\$
Revenue	4	4,435,897	6,615,818
Cost of sales		<u>(2,522,281)</u>	<u>(3,631,881)</u>
Gross profit		1,913,616	2,983,937
Interest income		2,056	292
Other income	5	126,375	232,836
Administrative expenses		(2,470,832)	(2,541,797)
Other operating expenses		(91,758)	(118,724)
Finance costs	6	(86,459)	(83,224)
Other losses	5	(1,040,197)	(1,797,141)
Share of results of an associate	10	<u>(57,769)</u>	<u>19,488</u>
Loss before income tax		(1,704,968)	(1,304,333)
Income tax expense	7	<u>103,477</u>	<u>12,725</u>
Loss for the year		<u>(1,601,491)</u>	<u>(1,291,608)</u>
Other comprehensive expenses:			
Financial assets – fair value losses		(3,673)	-
Foreign currency translation differences		<u>(137,335)</u>	<u>(248,485)</u>
Total comprehensive loss for the year		<u>(1,742,499)</u>	<u>(1,540,093)</u>
Loss attributable to:			
Owners of the Company		(1,597,627)	(1,302,402)
Non-controlling interest		<u>(3,864)</u>	<u>10,794</u>
Loss for the year		<u>(1,601,491)</u>	<u>(1,291,608)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(1,849,405)	(1,480,407)
Non-controlling interest		<u>106,906</u>	<u>(59,686)</u>
Total comprehensive loss for the year		<u>(1,742,499)</u>	<u>(1,540,093)</u>
Net loss per share			
Basic and diluted		<u>(0.02)</u>	<u>(0.01)</u>
Weighted average number of outstanding common shares		<u>104,107,638</u>	<u>103,608,816</u>

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

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
Expressed in Singapore Dollars

	<u>Note</u>	<u>2022</u> S\$	<u>2021</u> S\$
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,589,445	1,608,995
Right-of-use assets	9	17,453	117,908
Investment in an associate	10	586,335	1,828,120
Other assets	11	127,650	132,884
Financial assets, at fair value through other comprehensive income	12	451,017	458,352
Total non-current assets		<u>2,771,900</u>	<u>4,146,259</u>
Current assets			
Other assets	11	2,644	10,342
Contract assets	13	261,924	170,665
Trade and other receivables	14	757,607	1,390,246
Fixed deposit	15	-	507,273
Cash and bank balances	15	3,490,751	3,808,008
Total current assets		<u>4,512,926</u>	<u>5,886,534</u>
Total assets		<u>7,284,826</u>	<u>10,032,793</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	8,208,763	8,208,763
Accumulated other comprehensive losses		(488,575)	(240,470)
Other reserves		(3,673)	-
Accumulated losses		(2,959,217)	(1,361,590)
Total equity attributable to owners of the Parent		4,757,298	6,606,703
Non-controlling interest		(1,153,444)	(1,260,350)
Total Equity		<u>3,603,854</u>	<u>5,346,353</u>
Non-current liabilities			
Other payables	17	400,000	400,000
Lease liability	18	-	18,224
Total non-current liabilities		<u>400,000</u>	<u>418,224</u>
Current liabilities			
Trade and other payables	17	1,043,904	1,329,029
Lease liability	18	18,224	102,074
Borrowings	19	2,186,144	2,618,413
Income tax payable		-	112,012
Provisions	20	32,700	106,688
Total current liabilities		<u>3,280,972</u>	<u>4,268,216</u>
Total liabilities		<u>3,680,972</u>	<u>4,686,440</u>
Total equity and liabilities		<u>7,284,826</u>	<u>10,032,793</u>
Approved by the Board of Directors	“Tan Tee Ween”	“Zhang Yiwen”	

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

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Singapore Dollars

	Share capital S\$	Accumulated comprehensive other losses S\$	Other reserves S\$	Accumulated losses S\$	Total S\$	Non- controlling interests S\$	Total equity S\$
Balance at January 1, 2021	5,785,047	(62,465)	-	(59,188)	5,663,394	(1,200,664)	4,462,730
Shares issued on private placement (Note 16)	2,340,900	-	-	-	2,340,900	-	2,340,900
Loss for the year	-	-	-	(1,302,402)	(1,302,402)	10,794	(1,291,608)
Foreign currency translation	82,816	(178,005)	-	-	(95,189)	(70,480)	(165,669)
Balance at December 31, 2021	8,208,763	(240,470)	-	(1,361,590)	6,606,703	(1,260,350)	5,346,353
Loss for the year	-	-	-	(1,597,627)	(1,597,627)	(3,864)	(1,601,491)
Foreign currency translation	-	(248,105)	-	-	(248,105)	110,770	(137,335)
Other reserves	-	-	(3,673)	-	(3,673)	-	(3,673)
Balance at December 31, 2022	8,208,763	(488,575)	(3,673)	(2,959,217)	4,757,298	(1,153,444)	3,603,854

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

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Singapore Dollars

	<u>Note</u>	<u>2022</u> S\$	<u>2021</u> S\$
Operating activities			
Loss before income tax		(1,704,968)	(1,304,333)
Adjustments for:			
Depreciation	8	31,705	46,643
Amortisation of right-of-use assets	9	100,455	89,130
Interest expenses	6	86,459	82,712
Interest income		(2,056)	(292)
Unrealised exchange loss/(gain)	5	15,474	(33,385)
Recovery of expected credit loss on trade receivables	5	-	(63,832)
Gain on disposal of property, plant and equipment	5	(47,967)	(62,875)
Share of results of an associate	10	57,769	(19,488)
Bad debt written off	5	-	1,590,720
Impairment loss on investment in an associate	5	1,024,723	-
Other reserves		(3,673)	-
Operating cash flows before movements in working capital		(442,079)	325,000
Changes in working capital:			
Contract assets		(91,752)	(56,116)
Trade and other receivables		781,988	157,482
Trade and other payables		10,398	(351,941)
Provisions		(73,988)	77,610
Cash generated from operations		184,567	152,035
Interest received		2,056	292
Income tax refunded	7	115,115	77,805
Income tax paid	7	(122,971)	(264,666)
Net cash generated from/(used in) operating activities		178,767	(34,534)
Investing activities			
Purchase of property, plant and equipment	8	(12,772)	(47,767)
Proceeds from disposal of property, plant and equipment		48,560	80,000
Addition to fixed deposit pledged		-	(254)
Investment in an associate		-	(1,750,000)
Net cash generated from/(used in) investing activities		35,788	(1,718,021)
Financing activities			
Release of cash restricted in use	15	495,703	-
Proceeds from issuance of shares	16	-	2,340,900
Payment of lease liability	18	(102,074)	(86,740)
Repayment of borrowings		(432,269)	(989,871)
Interest paid		(86,459)	(82,712)
Net cash (used in)/generated from financing activities		(125,099)	1,181,577
Net increase/(decrease) in cash and cash equivalents		89,456	(570,978)
Effect of foreign exchange fluctuation		(411,010)	(215,240)
Cash and cash equivalents at beginning of financial year		3,808,008	4,594,226
Cash and cash equivalents at end of financial year (Note 15)		3,486,454	3,808,008

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

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Expressed in Singapore Dollars

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

1. General

BYT Holdings Ltd. (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 head office and principal address is Suite 1570 – 505 Burrard Street, Vancouver BC, V6E 3P3. The registered and records office is 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

The Company's subsidiaries currently operate in Singapore, China, and Malaysia.

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 2022 were authorised for issue by the Board of Directors on April 26, 2023.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") 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 Group operates (its functional currency). The consolidated financial statements of the Group 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 BYT Engineering Pte. Ltd. and BYT Singapore Pte. Ltd. is the S\$, the functional currency of BYT Malaysia Sdn. Bhd. is the Malaysian Ringgit ("MYR") 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 Group 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' accounting policies and has no material effect on the amounts reported for the current or prior years.

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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)
IAS 1	Amendments to IAS 1 and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
IAS 8	Amendments to IAS 8: <i>Definition of Accounting Estimates</i>	1 January 2023
IAS 12	Amendments to IAS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
IFRS 17	<i>Insurance Contracts</i>	1 January 2023
IFRS 17	Amendment to IFRS 17: <i>Initial Application of IFRS 17 and IFRS 9 - Comparative Information</i>	1 January 2023
IAS 1	Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
IAS 1	Amendments to IAS 1: <i>Non-current Liabilities with Covenants</i>	1 January 2024
IFRS 16	Amendments to IFRS 16: <i>Lease Liability in a Sales and Leaseback</i>	1 January 2024
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group 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 Group 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 details of the subsidiaries are as follows:

<u>Name of subsidiaries</u>	<u>Country of incorporation and principal place of business</u>	<u>Principal activities</u>	<u>Effective equity held by the Company</u>	
			<u>2022</u> %	<u>2021</u> %
<u>Held directly by the Company</u>				
BYT Engineering Pte. Ltd. ("BYTE")	Singapore	Engineering activities	100	100
BYT Singapore Pte. Ltd. ("BYT SG")	Singapore	Investment holdings and trading	100	100
<u>Held by BYTE</u>				
Shanghai Xin Da Process Engineering Co., Ltd.	China	Engineering services	100	100
Springleaf-Biomax (Shanghai) Pte. Ltd.	China	Provide waste management solutions in China	60	60
<u>Held by BYT SG</u>				
BYT Malaysia Sdn. Bhd.	Malaysia	Engineering services	100	100

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 them through its involvement with them.

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Singapore Dollars

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

The Group 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.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Singapore Dollars

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the statements of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 goods or services 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 services 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 services.

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. Summary of significant accounting policies (Continued)

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 and Malaysia Employees Provident Fund are dealt with as payments to defined contribution plans where the Group'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 Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group 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.

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.

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2. Summary of significant accounting policies (Continued)

2.7 Income tax (Continued)

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.

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.

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 & machinery	3 years
Furniture & fittings	3 – 5 years
Motor vehicles	3 years
Freehold property (Note 8)	50 years

2. Summary of significant accounting policies (Continued)

2.10 Property, plant and equipment (Continued)

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 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.

2.12 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.

2. Summary of significant accounting policies (Continued)

2.12 Financial Instruments (Continued)

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”). 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.

Impairment of financial assets

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.

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2. Summary of significant accounting policies (Continued)

2.12 Financial instruments (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

2.12 Financial instruments (Continued)

Borrowings

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.

2.13 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.

2.14 Leases

Effective January 1, 2019, the Group adopted all of the requirements of IFRS 16. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise 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 Group 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 Group 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 Group 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 Group recognises a right-of-use asset and lease liability at the lease commencement date for all lease arrangement for which the Group is the lessee, except for leases which have lease term of 12 months or less and leases of low value assets for which the Group applied the recognition exemption allowed under IFRS 16. For these leases, the Group 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.

2. Summary of significant accounting policies (Continued)

2.14 Leases (Continued)

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 Group 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.

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 Group 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 Group as a lessor

Where a contract contains more than one lease and/or non-lease component, the Group 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 Group assesses and classifies 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. Summary of significant accounting policies (Continued)

2.15 Provisions

Provisions are recognised when the Group has 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.

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.

2.16 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 Group; 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.

2.17 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.

2.18 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 Group. 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. Summary of significant accounting policies (Continued)

2.19 Operating segments

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

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at each financial year end. However, uncertainty of these estimates and assumptions could result in outcomes that require material adjustments to the carrying amounts of the assets and liabilities in the future financial years.

These judgements, estimates and assumptions which are set out below, are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Contract revenue:

Contract revenue is recognised over time by reference to the progress of the Group towards completing the performance obligations in the contracts. The measure of progress is determined based on the costs incurred to date as a proportion of the estimated total contract and other costs to be incurred ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of installation revenue. When it is probable that the total contract costs will exceed the total installation revenue, a provision for onerous contracts is recognised immediately. Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management has relied on past experience of completed projects.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from the relevant management's judgements could require a material adjustment to the carrying amount of the contract assets of S\$261,924 (2021: S\$170,665).

Impairment of financial assets at amortised cost:

The Group uses a provision matrix to calculate ECLs for these financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At each financial year end, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the trade receivables and contract assets. The carrying amount of the Group's financial assets at the end of the financial year end is S\$4,248,358 (2021: S\$5,705,527).

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

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned.

Determination of lease term of contracts with extension options:

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease arrangements that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term to determine whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The extension options for the office lease are not included as part of the lease term because it is not reasonably certain that the Group would exercise the option to extend this lease.

Breach of loan covenants:

A former director who was one of the joint guarantors for the Group's bank loans was charged on 25 November 2021 by the Corrupt Practices Investigation Bureau for alleged corruption and conspiracy to submit false quotations. This former director has resigned from all positions with the Group on 22 November 2021.

This incident is considered as a default event under the bank covenant relating to legal proceedings being instituted against a loan guarantor for all loans. In addition, there are breaches of other loan covenants relating to meeting certain net tangible worth requirement for the Group and the need for the continuing appointment of this former director as a key management team personnel. Consequently, all outstanding loan amounts have been classified as "current liabilities" as at 31 December 2021 and 31 December 2022 (see Note 19).

The Group has informed the relevant banks and sought the banks' waiver for these breaches. At the date of issuance of these 2022 financial statements, the Group had not received the letter of waiver from these banks.

Management had assessed that it is not likely that the relevant banks will demand immediate payments for the prevailing outstanding loan amounts based on recent discussions with the banks and the Group's good repayment track record. Subsequent to 31 December 2022, the Group had executed an initiative to dispose its freehold property with a carrying value of S\$1,561,360 at 31 December 2022 for a consideration of S\$2,250,000 (see Note 8). Consequently, management had concluded that there are no consequential going concern issues for the Group taking into consideration the Group's prevailing and future liquid resources.

Income taxes:

Significant judgement is involved in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

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

Income taxes: (Continued)

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the tax expense and deferred tax liabilities in the period in which such determination is made.

The carrying amounts of the Group's tax liabilities as at 31 December 2022 was S\$Nil (2021: S\$112,012).

4. Revenue

	<u>2022</u> S\$	<u>2021</u> S\$
Revenue from contracts with customers (over time)	2,235,444	2,015,245
Service and maintenance income (point in time)	2,159,285	2,797,811
Trading income (point in time)	41,168	1,802,762
	<u>4,435,897</u>	<u>6,615,818</u>

5. Other income/losses

	<u>2022</u> S\$	<u>2021</u> S\$
Other income		
Foreign exchange gain, net	-	33,385
Government grants	78,408	69,219
Gain on disposal of property, plant and equipment, net	47,967	62,875
Rental income	-	3,300
Recovery of expected credit loss	-	63,832
Others	-	225
	<u>126,375</u>	<u>232,836</u>
Other losses		
Impairment of investment in an associate	1,024,723	-
Bad debts written off ^(a)	-	1,590,720
Foreign exchange loss, net	15,474	-
Legal expenses	-	203,327
Other	-	3,094
	<u>1,040,197</u>	<u>1,797,141</u>

- (a) The total amount of S\$1,590,720 bad debts arose as the Group had entered into a full waiver arrangement with two different debtors on 15 December 2021 pursuant to which both parties will waive its respective rights against each other. Consequently, the Group shall not pursue the receivable amounts due from these debtors of S\$1,000,000 and S\$590,720 respectively.

6. Finance costs

	<u>2022</u> S\$	<u>2021</u> S\$
Interest expenses on:		
Interest-bearing loans	83,332	76,152
Interest on lease liability	3,127	6,560
Bank charges	-	512
	<u>86,459</u>	<u>83,224</u>

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7. Income tax

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

	<u>2022</u> S\$	<u>2021</u> S\$
At beginning of the year	112,012	311,620
Payments made during the year	(122,971)	(264,666)
Over provision in prior years	(103,469)	(124,759)
Provision for the year	-	112,012
Tax refund for the year	115,115	77,805
Exchange differences	(687)	-
	<u>-</u>	<u>112,012</u>
	<u>2022</u> S\$	<u>2021</u> S\$
Current year tax	-	112,012
Over provision in prior years	(103,469)	(124,759)
Exchange differences	(8)	22
	<u>(103,477)</u>	<u>(12,725)</u>

The reconciliation of the combined Canadian Federal and Provincial statutory tax rate of 27% (2021 – 27%) to the effective tax rate is as follows:

	<u>2022</u> S\$	<u>2021</u> S\$
Loss before income tax	<u>(1,704,968)</u>	<u>(1,304,333)</u>
Income tax at the rate of 27% (2021 – 27%)	(460,341)	(352,170)
Tax effect of:		
Non-deductible expenses	196,717	823,490
Government grant	-	(4,261)
Non- deductible professional fees	-	2,702
Prior years' unrecorded tax losses utilised	(7,858)	-
Tax effect statutory stepped income exemption	-	(39,676)
Tax rate differences	123,350	(436,836)
Overprovision in prior years	(103,469)	(124,759)
Change in tax benefits not recognised	148,132	121,758
Items not subject to tax	-	(2,703)
Other minor items less than 3% each	(8)	(270)
	<u>(103,477)</u>	<u>(12,725)</u>
The Group's income tax expense is allocated as follows:		
Current income tax expense	<u>(103,477)</u>	<u>(12,725)</u>
At end of the year	<u>(103,477)</u>	<u>(12,725)</u>

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**Expressed in Singapore Dollars

7. Income tax (Continued)**Unrecognised 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 recognised in respect of the following deductible temporary differences:

	S\$
Share issuance costs – 20(1)(e) - Canada	32,433
Non-capital losses carried forward - Canada	1,038,792
Tax loss and timing differences - Singapore	200,832
Tax loss - China	416,950

Share issue and financing costs will be fully amortised in 2026.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. For the Singapore companies, the realisation of the future income tax benefits from tax losses carry forward and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

The Group's non-capital income tax losses will expire as follows:

	S\$
Canada	
2040	232,406
2041	472,746
2042	333,640
	<hr/>
	1,038,792
	<hr/>
China	
2024	157,810
2025	249,478
2027	9,662
	<hr/>
	416,950
	<hr/>

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. Property, plant and equipment

Group	Office equipment S\$	Plant & Machinery S\$	Furniture & fittings S\$	Motor vehicles S\$	Freehold property S\$	Total S\$
Cost						
At January 1, 2021	195,923	102,750	227,182	86,525	1,638,360	2,250,740
Additions	19,267	-	28,500	-	-	47,767
Disposal	(3,752)	(102,750)	-	-	-	(106,502)
Exchange differences	(2)	-	-	-	-	(2)
At December 31, 2021	211,436	-	255,682	86,525	1,638,360	2,192,003
Additions	12,772	-	-	-	-	12,772
Disposal	(821)	-	-	(53,025)	-	(53,846)
Exchange differences	(27)	-	-	-	-	(27)
At December 31, 2022	223,360	-	255,682	33,500	1,638,360	2,150,902
Accumulated depreciation						
At January 1, 2021	188,712	68,500	227,004	86,525	55,000	625,741
Depreciation	11,216	17,124	7,303	-	11,000	46,643
Disposal	(3,752)	(85,625)	-	-	-	(89,377)
Exchange differences	-	1	-	-	-	1
At December 31, 2021	196,176	-	234,307	86,525	66,000	583,008
Depreciation	11,205	-	9,500	-	11,000	31,705
Disposal	(228)	-	-	(53,025)	-	(53,253)
Exchange differences	(3)	-	-	-	-	(3)
At December 31, 2022	207,150	-	243,807	33,500	77,000	561,457
Carrying amount						
At December 31, 2022	16,210	-	11,875	-	1,561,360	1,589,445
At December 31, 2021	15,260	-	21,375	-	1,572,360	1,608,995

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\$1,561,360 (2021: S\$1,572,360) is mortgaged to obtain interest-bearing loans.

Subsequent to 31 December 2022, an option was extended to an outside party to buy this freehold property within a carrying value of S\$1,561,360 at 31 December 2022 at a consideration of S\$2,250,000. This purchase option has been exercised on 20 March 2023 and the completion of this sale of freehold property is targeted to be by 30 June 2023.

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Right-of-use assets

	<u>2022</u> S\$	<u>2021</u> S\$
At 1 January	117,908	-
Additions	-	207,038
Amortisation for the year	<u>(100,455)</u>	<u>(89,130)</u>
At 31 December	<u>17,453</u>	<u>117,908</u>

The Group leases its office premises. The leases typically run for a period of 2 years, with an option to renew the lease after that date for a further period of 1 to 2 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

10. Investment in an associate

	<u>2022</u> S\$	<u>2021</u> S\$
Current assets	1,785,770	2,814,781
Non-current assets	112,025	136,070
Current liabilities	(222,552)	(809,272)
Non-current liabilities	-	(130,910)
Equity	<u>1,675,243</u>	<u>2,010,669</u>
Group's share in equity – 35%	586,335	703,734
Goodwill	-	1,124,386
Group's carrying amount of the investment	<u>586,335</u>	<u>1,828,120</u>
Revenue	936,997	1,250,567
Cost of sales	(289,559)	(208,730)
Other income	107,663	99,065
Expenses	(910,994)	(1,057,522)
Finance costs	(7,932)	(27,699)
(Loss)/Profit before tax	<u>(163,825)</u>	<u>55,681</u>
Income tax expenses	(1,230)	-
(Loss)/Profit after tax	<u>(165,055)</u>	<u>55,681</u>
Other comprehensive (expenses)/income	(170,372)	100,574
Total comprehensive income for the year	<u>(335,427)</u>	<u>156,255</u>
Group's share of (loss)/profit for the year	(57,769)	19,488
Group's share of other comprehensive (loss)/income	<u>(159,293)</u>	<u>58,632</u>
Group's share of (loss)/profits and other comprehensive income for the year	<u>(217,062)</u>	<u>78,120</u>

The details of the associate are as follows:

<u>Name of associate</u>	<u>Country of incorporation and principal place of business</u>	<u>Principal activity</u>	<u>Effective equity held by the Company</u>	
			<u>2022</u> %	<u>2021</u> %
Held by BYT SG				
Xi'an Triumph Electronic Technology Co., Ltd.	China	Provision of industrial big data analytics solutions	35	35

During the financial year, the Group conducted a review of the recoverable amounts of its investments in an associate and the review gave rise to the recognition of an impairment loss of S\$1,024,723 as disclosed in Note 5 as the recoverable amount was less than the carrying value. The recoverable amount of S\$586,335 is determined based on value-in-use.

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11. Other assets

	<u>2022</u> S\$	<u>2021</u> S\$
Prepayments	-	7,630
Prepaid keyman insurance premium ^(a)	130,294	135,596
	<u>130,294</u>	<u>143,226</u>
Presented as:		
Other assets, current	2,644	10,342
Other assets, non-current	127,650	132,884
	<u>130,294</u>	<u>143,226</u>

- (a) Prepaid keyman insurance premium arose as the Group had made a lump sum payment for the insurance policies covering an estimated life of 52 years (see Note 12).

12. Financial assets, at fair value through other comprehensive income

	<u>2022</u> S\$	<u>2021</u> S\$
<u>Fair value:</u>		
Investments in life insurance policies	451,017	458,352
<u>Movement in FVTOCI assets:</u>		
At beginning of the financial year	458,352	458,352
Additions	5,302	-
Foreign exchange losses	(8,964)	-
Decrease in fair values included in fair value reserve	(3,673)	-
At end of financial year	<u>451,017</u>	<u>458,352</u>

These comprise two keyman insurance policies underwritten by a reputable insurance company on 27 June 2018 and 26 May 2019 insuring a former director with the subsidiary company being the beneficiary.

The fair value at the relevant financial year ends represents the amount that can be realised by the subsidiary company if these policies are to be terminated and is based on the latest statement of account issued by the relevant insurance company.

13. Contract assets from contracts with customers

	<u>2022</u> S\$	<u>2021</u> S\$
Contract assets		
Unbilled revenue	261,924	170,665

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.

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14. Trade and other receivables

	<u>2022</u> S\$	<u>2021</u> S\$
Trade receivables	1,212,081	1,653,653
Less: Expected credit loss	<u>(630,908)</u>	<u>(630,908)</u>
	581,173	1,022,745
Other receivables	86,212	294,802
Deposits	90,100	71,825
Prepayments	<u>122</u>	<u>874</u>
Total	<u>757,607</u>	<u>1,390,246</u>

Trade receivables are non-interest bearing and the average credit period is 30 to 60 days (2021: 30 to 60 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.

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

	<u>2022</u> S\$	<u>2021</u> S\$
Singapore Dollar	615,055	989,716
Chinese Renminbi	142,430	277,674
Ringgit Malaysia	<u>122</u>	<u>122,856</u>
	<u>757,607</u>	<u>1,390,246</u>

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

	<u>Expected credit loss</u> S\$
Balance at January 1, 2021	694,740
Recovery of expected credit loss during the year	<u>(63,832)</u>
Balance at December 31, 2021	630,908
Recognised during the year	<u>-</u>
Balance at December 31, 2022	<u>630,908</u>

15. Cash and bank balances

	<u>2022</u> S\$	<u>2021</u> S\$
Cash on hand	943	1,614
Bank balances	3,485,511	3,806,394
Bank balances restricted in use	<u>4,297</u>	<u>-</u>
Cash and bank balances	3,490,751	3,808,008
Fixed deposits	<u>-</u>	<u>507,273</u>
	3,490,751	4,315,281
Less: Bank balances restricted in use	(4,297)	-
Less: Fixed deposits pledged for banking facilities	<u>-</u>	<u>(507,273)</u>
Cash and cash equivalents	<u>3,486,454</u>	<u>3,808,008</u>

The fixed deposit is in Singapore Dollar and is pledged to a bank as security for banking facilities extended to the Group. It has a maturity period of 365 days and is not interest bearing. The pledge has been released on 20 June 2022 as the Group cancelled the banking facility.

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. Cash and bank balances (Continued)

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

	<u>2022</u> S\$	<u>2021</u> S\$
Singapore Dollar	1,182,865	1,546,461
United States Dollar	2,079,746	2,183,712
Chinese Renminbi	158,946	61,408
Canadian Dollar	17,733	11,945
Ringgit Malaysia	47,164	4,482
	<u>3,486,454</u>	<u>3,808,008</u>

16. Share capital

a) Authorised

Unlimited number of common shares with no par value.

b) Issued and fully paid

	<u>Number of shares</u>	<u>S\$</u>
Balance at January 1, 2021	78,097,638	5,785,047
Shares issued on private placement	26,010,000	2,340,900
Foreign currency translation	-	82,816
	<u>104,107,638</u>	<u>8,208,763</u>
Balance at December 31, 2021	<u>104,107,638</u>	<u>8,208,763</u>
Balance at December 31, 2022	<u>104,107,638</u>	<u>8,208,763</u>

17. Trade and other payables

	<u>2022</u> S\$	<u>2021</u> S\$
Non-current liability: Dividends payable ^(a)	<u>400,000</u>	<u>400,000</u>
Current liabilities:		
Trade payables ^(b)	386,783	435,902
Accruals	602,144	788,070
GST payables	-	51,550
Deposit received ^(c)	11,197	11,197
Other payables	43,780	42,310
	<u>1,043,904</u>	<u>1,329,029</u>

(a) These dividends payable which the Group does not expect to make payment within the next 12 months given the significant amount of impairment made during the financial year which requires the Group to conserve its liquid assets.

(b) Trade payables are non-interest bearing and the average credit period on purchases of goods ranges from 30 to 60 days (2021: 30 to 60 days) according to the terms agreed with the suppliers.

(c) This deposit was received for the set up of a foreign joint venture with an outside party. However, the set up of this joint venture has been suspended.

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17. Trade and other payables (Continued)

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

	<u>2022</u> S\$	<u>2021</u> S\$
Non-current liability: Singapore Dollar	400,000	400,000
Current liabilities:		
Singapore Dollar	342,862	523,364
Chinese Renminbi	105,006	107,194
Canadian Dollar	596,036	636,879
Ringgit Malaysia	-	61,592
	<u>1,043,904</u>	<u>1,329,029</u>

18. Lease liability

The Group leases office premises. The leases typically run for a period of 2 years, with an option to renew the lease after that date for a further period of 1 to 2 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

	<u>2022</u> S\$	<u>2021</u> S\$
At 1 January	120,298	-
Additions	-	207,038
Accretion of interest	3,127	6,560
Lease payment		
- Principal portion	(102,074)	(86,740)
- Interest portion	(3,127)	(6,560)
At 31 December	<u>18,224</u>	<u>120,298</u>
	<u>2022</u> S\$	<u>2021</u> S\$
Current	18,224	102,074
Non-Current	-	18,224
	<u>18,224</u>	<u>120,298</u>

The following are the amounts recognised in profit or loss:

	<u>2022</u> S\$	<u>2021</u> S\$
Amortisation of right-of-use assets	100,455	89,130
Interest expenses on lease liability	3,127	6,560
	<u>103,582</u>	<u>95,690</u>

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

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19. Borrowings

	<u>2022</u> S\$	<u>2021</u> S\$
Borrowings	2,186,144	2,618,413
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(2,186,144)</u>	<u>(2,618,413)</u>
Amount due for settlement after 12 months	<u>-</u>	<u>-</u>

The bank loans are secured by the following terms and conditions:

- (i) Personal guarantees by one of the directors of a subsidiary company and a former director of the Company.
- (ii) Mortgage over property located at 421 Tagore Industrial Avenue #01-28 Tagore 8 Singapore 787805. The book value of the property at December 31, 2022 is S\$1,561,360 (2021: S\$1,572,360).
- (iii) Charge on fixed deposit value of S\$Nil (2021: S\$507,019).*
- (iv) Corporate guarantees by the Company.*

*The bank has cancelled certain banking facilities and has released the pledge on item (iii) and (iv) on 20 June 2022.

The subsidiary company has not complied with the following loan covenants:

- (a) Always maintain a Tangible Net Worth of not less than S\$2,000,000. "Tangible Net Worth" means the aggregate of paid-up capital, all reserves, retained earnings and minority interest less intangible assets.
- (b) The subsidiary company shall not have any direct or indirect change of control in the shareholding or management of the subsidiary company without prior written consent from the bank.

A default event defined under these loan arrangements is considered to have occurred, if there are any legal proceedings instituted against certain directors prescribed in the relevant supporting bank loan arrangements. During the financial years ended 31 December 2021 and 31 December 2022, there were such legal proceedings instituted against a former director. Consequently, all bank loans of S\$2,186,144 (2021: S\$2,618,413) have been classified as "current liabilities" as at 31 December 2021 and 31 December 2022.

The 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\$
2022				
Bridging loan I	453,164	-	-	453,164
Bridging loan II	699,205	-	-	699,205
Property loan I	1,033,775	-	-	1,033,775
	<u>2,186,144</u>	<u>-</u>	<u>-</u>	<u>2,186,144</u>
2021				
Bridging loan I	610,097	-	-	610,097
Bridging loan II	940,650	-	-	940,650
Property loan I	1,067,666	-	-	1,067,666
Total	<u>2,618,413</u>	<u>-</u>	<u>-</u>	<u>2,618,413</u>

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20. Provisions

	<u>2022</u> S\$	<u>2021</u> S\$
Unutilised annual leave entitlements	32,700	49,688
Legal costs	-	57,000
	<u>32,700</u>	<u>106,688</u>
<u>Movements in annual leave entitlements:</u>		
At beginning of the financial year	49,688	29,078
(Reversed)/charged to profit or loss included in employee benefits expenses	(16,988)	20,610
At end of the financial year	<u>32,700</u>	<u>49,688</u>
<u>Movements in legal costs:</u>		
At beginning of the financial year	57,000	-
Charged to profit or loss included in other losses	-	203,327
Paid	(57,000)	(146,327)
At end of the financial year	<u>-</u>	<u>57,000</u>

21. Dividends declared

No dividend was declared during the year.

22. Significant related party transactions

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

Key management personnel:

	<u>2022</u> S\$	<u>2021</u> S\$
Remuneration		
- Directors' remuneration	628,500	521,210
- Directors' allowance	-	2,955
- Central Provident Fund contributions for the directors	57,675	57,726
	<u>686,175</u>	<u>581,891</u>
Total	<u>686,175</u>	<u>581,891</u>

23. Fair value of assets and liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables, approximate their respective fair values due to the relative short-term maturity of these financial instruments or the effect of discounting is not material. 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 Group's activities expose it to credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24. Financial instruments and financial risks (Continued)

Risk management is integral to the whole business of the Group. The management continually monitors the Group'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 Group's activities.

There have been no changes to the Group'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 Group. The Group 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 Group's credit risk arises mainly from bank balances and trade receivables. Bank balances are mainly deposits with banks with high credit-ratings and the Group does not expect the impairment loss from bank balances to be material, if any.

To assess and manage its credit risks, the Group categorises the aforementioned financial assets according to their risk of default. The Group 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 Group operates in, the Group 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 Group 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 Group 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 Group 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.

In its assessment, the Group 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.

24. Financial instruments and financial risks (Continued)

Credit risk (Continued)

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Group 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 Group 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 Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

Trade receivables (Note 14) and contract assets (Note 13)

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 Group 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.

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 Group determined that the ECL is insignificant.

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24. Financial instruments and financial risks (Continued)

Credit risk (Continued)

Note 4. Write off (Continued)

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>
31 December 2022						
Expected credit loss rates	0%	0%	0%	0%	92%	
Trade receivables (gross)	523,505	-	-	-	688,576	1,212,081
Contract assets (gross)	261,924	-	-	-	-	261,924
Loss allowance	-	-	-	-	630,908	630,908
31 December 2021						
Expected credit loss rates	0%	0%	0%	0%	100%	
Trade receivables (gross)	1,022,745	-	-	-	630,908	1,653,653
Contract assets (gross)	170,665	-	-	-	-	170,665
Loss allowance	-	-	-	-	630,908	630,908

Other receivables (Note 14)

As of 31 December 2022, the Group recorded other receivables totalling S\$86,212 (2021: S\$294,802). The Group assessed the latest performance and financial position of the debtors, adjusted for the future outlook of the industry that they operate in, by referring to expert publications on the industry, and any market talks on the credit reputation and if concluded that there is an increase in the credit risk, this will be mitigated by obtaining additional collateral from the directors since the initial recognition of the financial asset. Accordingly, the Group measured the impairment loss allowance using lifetime ECL and determined that the ECL is insignificant.

At the end of the reporting date, trade receivables from 1 (2021: 1) customer accounted for approximately 59% and S\$343,876 (2021: 86% and S\$880,717) of total trade receivables of the Group. The remaining balance is spread over numbers of diversified customers.

Major Customer

The Group has one major customer that accounted for approximately 82% and S\$3,616,405 of sales for the year ended December 31, 2022 (2021: 64% and S\$4,231,815). The Group 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 Group's income or the value of its holdings of financial instruments. The Group'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 Group'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.

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24. Financial instruments and financial risks (Continued)

Market risk (Continued)

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

	<u>2022</u> S\$	<u>2021</u> S\$
Cash and cash equivalents	<u>2,079,746</u>	<u>2,183,712</u>

Foreign currency sensitivity analysis

The Group is mainly exposed to United States Dollar.

The following table details the Group's sensitivity to a 10% (2021: 10%) change in various foreign currencies against Singapore Dollar ("SGD"). The sensitivity analysis assumes an instantaneous 10% (2021: 10%) change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

	<u>2022</u> S\$	<u>2021</u> S\$
<i>Strengthens/weakens against SGD</i>		
United States Dollar	<u>207,975</u>	<u>218,371</u>

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 Group's interest rate risk relates to interest-bearing liabilities.

The Group'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>
<u>2022</u>		
Borrowings	<u>2,186,144</u>	<u>2.1% - 3.58%</u>
<u>2021</u>		
Borrowings	<u>2,618,413</u>	<u>2.1% - 3.58%</u>

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% (2021: 1%) change in the interest rates from the end of the financial year, with all variables held constant.

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Expressed in Singapore Dollars

24. Financial instruments and financial risks (Continued)

Market risk (Continued)

	Increase/Decrease in Profit or Loss	
	2022 S\$	2021 S\$
Borrowings	21,861	26,184

Liquidity risk

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

The Group'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 Group has undertaken to provide financial support to the subsidiaries to meet its liabilities as and when due.

The following table details the Group'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 Group is expected to pay. The table includes both interest and principal cash flows.

	1 year or less S\$	2 to 5 years S\$	More than 5 years S\$	Total S\$
2022				
<i>Undiscounted financial liabilities:</i>				
Trade and other payables	1,043,904	400,000	-	1,443,904
Borrowings	2,253,710	-	-	2,253,710
Lease liability	18,224	-	-	18,224
	<u>3,315,838</u>	<u>400,000</u>	<u>-</u>	<u>3,715,838</u>
2021				
<i>Undiscounted financial liabilities:</i>				
Trade and other payables	1,329,029	400,000	-	1,729,029
Borrowings	2,730,735	-	-	2,730,735
Lease liability	103,644	18,224	-	121,868
	<u>4,163,408</u>	<u>418,224</u>	<u>-</u>	<u>4,581,632</u>

25. Capital management policies and objectives

The Group manages its capital to ensure that the Group 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 of equity attributable to owners of the Group, comprising issued share capital and accumulated loss 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 2021.

BYT HOLDINGS LTD. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
Expressed in Singapore Dollars**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.

Geographic segment information:

	<u>2022</u> S\$	<u>2021</u> S\$
Revenue		
Singapore	4,313,015	6,388,370
China	-	113,901
Malaysia	122,882	113,547
	<u>4,435,897</u>	<u>6,615,818</u>
Loss for the year		
Singapore	(1,187,620)	(903,891)
China	(67,431)	45,744
Malaysia	(26,203)	35,354
Canada	(320,237)	(468,815)
	<u>(1,601,491)</u>	<u>(1,291,608)</u>
Non-current assets		
Singapore	2,771,900	4,145,482
Malaysia	-	777
	<u>2,771,900</u>	<u>4,146,259</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 Group

The COVID-19 pandemic has affected almost all countries in the world and resulted in border closures, movement controls and other measures imposed by the various governments.

The Group's significant operations which are in Singapore have been affected by the spread of COVID-19 in 2022.

The impact of COVID-19 on the Group's financial performance reported in these financial statements for the year ended 31 December 2022 are set out below.

- (i) Management has assessed that the going concern basis of preparation for these financial statements remains appropriate.
- (ii) In 2022, the Group experienced a decrease in revenue as the operating environment is still challenging. However, the Group is seeing a bottoming out of its business based on contracts entered with customers in the first four months of financial year 2023.

Management has assessed these past events do not indicate a going concern issue of the Group, taking into consideration that there is sufficient liquidity based on existing and projections of future cash resources to meet financial obligations and working capital needs.

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

- (iii) The Group has considered the market conditions (Including the impact of COVID-19) in order to make estimates and judgements on the recoverability of assets and provisions for onerous contracts (if applicable) as at 31 December 2022. The significant estimates and judgement applied on these key matters (if applicable) are disclosed in Note 3.

- (iv) As the global COVID-19 situation remains very fluid as at the date of the issuance these financial statements, management cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the subsequent years. The appropriateness of the going concern assessment by management is dependent on that there are no future developments to the COVID-19 situation which translate into significant adverse financial impact to the Group and significant restrictions to access to liquidity from the financing sources set out in the above key factors of consideration.