Company Registration No. OI-329876

BIZGO Holdings Limited and its subsidiaries

Annual Financial Statements
31 December 2020

Building a better
working world

BIZGO Holdings Limited and its subsidiaries

Index

The Directors present their statement to the members together with the audited consolidated financial statements of Bizgo Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2020.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group are presented fairly, in all material respects, the financial position of the Group as at 31 December 2020 and the financial performance and changes in equity and cash flows of the Group for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due as the Group expects that it will generate adequate cash flows from operations to meet working capital needs and to receive continued support from the creditors;

2. Directors

The Directors of the Company in office at the date of this statement are:

Eng Pu Yee Darren
Wang Bin (Appointed 26 July 2021)
Francis Andrew Rozario (Resigned 20 July 2021)
Ngiam Mia Hai Bernard (Resigned 23 June 2021)
Aaron Andrew Rozario (alternate to Francis Andrew Rozario) (Resigned 20 July 2021)
Ngiam Mia Hong Alfred (alternate to Ngiam Mia Hai Bernard) (Resigned 23 June 2021)

3. Arrangements to enable Directors to acquire shares and debentures

Except as described in paragraph 4 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. Directors' interests in shares or debentures

The following Directors who held office at the end of the financial year had held interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below.

	Shareholdings registered in the name of the directors		**Shareholdings in which directors are deemed to have an interest**	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
(Ordinary shares)				
Eng Pu Yee Darren	200,000,000	188,665,332	–	–
Wang Bin	–	–	–	–

4. Directors' interests in shares or debentures (cont'd)

Name of director	Shareholdings registered in the name of the directors: At the beginning of financial year	Shareholdings registered in the name of the directors: At the end of financial year	Shareholdings in which directors are deemed to have an interest: At the beginning of financial year	Shareholdings in which directors are deemed to have an interest: At the end of financial year
(Series D Preference shares)				
Eng Pu Yee Darren	–	–	–	–
Ngiam Mia Hong Alfred	–	–	–	–
Ngiam Mia Hai Bernard	–	–	–	–
Francis Andrew Rozario	–	–	–	6,872,987
Wang Bin	–	–	–	–

Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
(Pre-Series D Preference shares)				
Eng Pu Yee Darren	–	1,450,000	–	–
Ngiam Mia Hong Alfred	–	5,000,000	–	–
Ngiam Mia Hai Bernard	–	5,000,000	–	–
Francis Andrew Rozario	–	–	–	–
Wang Bin	–	–	–	–

5. Options

There were no share options granted by the Group during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Group.

There were no unissued shares of the Group under option as at the end of the financial year.

The Board of Directors:

Eng Pu Yee Darren	Wang Bin
Director	Director
Singapore	Singapore
6 August 2021	

Independent Auditor’s Report to the Members of Bizgo Holdings Limited

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of BIZGO Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the balance sheets of the Group as at 31 December 2020, and the consolidated statements of comprehensive income, statements of changes in equity of the Group and consolidated cash flow statements for the financial year ended 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group. Because of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

Use of the going concern assumption

As at 31 December 2020, the Group’s current liabilities exceeded its current assets by USD 10,940,000 and total liabilities exceeded its total assets by USD 6,748,000. The Group has a net cash outflow of USD 1,590,000 for the financial year ended 31 December 2020. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group’s and Company’s ability to continue as a going concern.

The financial statements have been prepared on going concern basis based on the assumptions as disclosed in Note 2.2. However, based on the information available to us, we have not been provided with sufficient appropriate audit evidence to substantiate management’s assumptions regarding the Group’s ability to continue as a going concern and to repay its debts as and when they fall due.

Responsibilities of Management and Directors for the Financial Statements

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

In preparing the 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.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct the audit of the Group’s financial statements in accordance with Singapore Standards on Auditing (“SSAs”) and to issue an auditor’s report. However, because of the matter described in the Basis of Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Ernst & Young

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

6 August 2021

BIZGO Holdings Limited and its subsidiaries

Consolidated statements of comprehensive income
For the financial year ended 31 December 2020

	Note	Group 2020 USD'000	Group 2019 USD'000
Revenue	4	29,964	29,695
Cost of sales		(22,123)	(43,343)
Gross profit/(loss)		7,841	(13,648)
Other income	5	4,458	1,066
Administrative and general expenses		(7,696)	(18,932)
Selling and marketing expenses		(2,442)	(9,116)
Finance income/(costs)	6	2,812	(4,066)
Profit/(Loss) before taxation	8	4,973	(44,696)
Taxation	9	–	(2,777)
Profit/(Loss) for the year		4,973	(47,473)
Other comprehensive income: Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(1,037)	(638)
Total comprehensive income for the year, net of tax		3,936	(48,111)
Loss attributable to:			
Owners of the Company		4,997	(47,173)
Non-controlling interests		(24)	(300)
		4,973	(47,473)
Total comprehensive income attributable to:			
Owners of the Company		3,968	(47,807)
Non-controlling interests		(32)	(304)
		3,936	(48,111)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BIZGO Holdings Limited and its subsidiaries

Balance sheets
As at 31 December 2020

	Note	Group 2020 USD'000	Group 2019 USD'000
Assets			
Non-current assets			
Deferred tax assets	9	3,945	3,694
Plant and equipment	10	85	190
Right-of-use-asset	11	217	234
Investment in subsidiaries	12	–	–
Total non-current assets		4,247	4,118
Current assets			
Trade receivables	13	606	1,187
Other current assets	14	809	1,034
Deferred commission	15	2,269	14,974
Cash and bank balances	16	1,428	4,343
Total current assets		5,112	21,538
Total assets		9,359	25,656
Equity and liabilities			
Current liabilities			
Trade and other payables	17	1,152	7,084
Borrowings	18	6,500	40,000
Deferred revenue	19	7,781	23,437
Other liabilities	20	448	5,579
Lease liabilities	21	171	159
Total current liabilities		16,052	76,259
Net current liabilities		(10,940)	(54,721)
Non-current liability			
Lease liabilities	21	55	81
Total liabilities		16,107	76,340
Net liabilities		(6,748)	(50,684)
Equity attributable to owner of the Company			
Share capital	22	40,284	284
Merger reserve	23	15,433	15,433
Accumulated losses		(60,909)	(65,906)
Foreign currency translation reserve	23	(1,531)	(502)
Other reserve	23	293	293
Equity attributable to owners of the Company		(6,430)	(50,398)
Non-controlling interests		(318)	(286)
Total equity		(6,748)	(50,684)
Total equity and liabilities		9,359	25,656

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BIZGO Holdings Limited and its subsidiaries

Statements of changes in equity
For the financial year ended 31 December 2020

	Attributable to owners of the parent							
	Share Capital (Note 22) USD'000	**Accumlated losses** USD'000	**Foreign currency translation reserve (Note 23)** USD'000	**Other reserve (Note 23)** USD'000	**Merger reserve (Note 23)** USD'000	**Total** USD'000	**Non-controlling interest** USD'000	**Total equity** USD'000
Group								
2019								
As at 1 January 2019	284	(18,733)	132	293	15,433	(2,591)	18	(2,573)
Total comprehensive income for the year								
Loss for the year	–	(47,173)	–	–	–	(47,173)	(300)	(47,473)
Other comprehensive income	–	–	(634)	–	–	(634)	(4)	(638)
Total comprehensive income for the year	–	(47,173)	(634)	–	–	(47,807)	(304)	(48,111)
As at 31 December 2019	284	(65,906)	(502)	293	15,433	(50,398)	(286)	(50,684)
Total comprehensive income for the year								
Profit for the year	–	4,997	–	–	–	4,997	(24)	4,973
Other comprehensive income	–	–	(1,029)	–	–	(1,029)	(8)	(1,037)
Total comprehensive income for the year	–	4,997	(1,029)	–	–	3,968	(32)	3,936
Issuances of shares	40,000	–	–	–	–	40,000	–	40,000
As at 31 December 2020	40,284	(60,909)	(1,531)	293	15,433	(6,430)	(318)	(6,748)

BIZGO Holdings Limited and its subsidiaries

Consolidated Cash flow statements
For the financial year ended 31 December 2020

	Group	
	2020	**2019**
	USD'000	USD'000
Operating activities		
Profit/(Loss) before tax	4,973	(44,696)
<u>Adjustments for:</u>		
Depreciation of plant and equipment	108	314
Depreciation of right-of-use asset	166	152
Interest expense on loan	847	3,804
Interest expense on lease liabilities	18	12
Loss on disposal of fixed assets	57	–
Write back of interest expense on loan	(3,786)	–
Discount given by creditors	(2,953)	–
Interest income	(6)	(66)
Operating cash flow before working capital changes	(576)	(40,480)
Decrease in deferred tax assets	–	67
Decrease in inventories	–	1
Decrease/(increase) in trade receivables	581	(966)
Decrease/(increase) in other current assets	225	(390)
Decrease/(increase) in deferred commission	12,705	(6,418)
(Decrease)/increase in trade and other payables	(2,978)	3,709
(Decrease)/increase in deferred revenue	(15,656)	12,291
(Decrease)/increase in other liabilities	(1,350)	4,752
Cash flows used in operations	(7,049)	(27,434)
Interest paid	(847)	(3,804)
Interest received	6	66
Net cash used in operating activities	(7,890)	(31,172)
Investing activities		
Purchase of plant and equipment	(26)	(153)
Proceeds from disposal of plant and equipment	7	–
Cash flows used in investing activities	(19)	(153)
Financing activities		
Payment of principal portion of lease liabilities	(181)	(157)
Repayment of shareholder loan	–	(732)
Payment for share subscription	–	(20,000)
Proceeds from shareholders loans	6,500	40,000
Cash flows generated from financing activities	6,319	19,111
Net decrease in cash and cash equivalents	(1,590)	(12,214)
Effect of exchange rate changes on cash and cash equivalents	(1,325)	(633)
Cash and cash equivalents at beginning of the financial year	4,343	17,190
Cash and cash equivalents at end of the financial year (Note 15)	1,428	4,343

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

BIZGO Holdings Limited (formerly known as Ezcloud Limited) (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands.

The registered office of the Company is located at Maples Corporate Services Limited, P.O.Box 309, Ugland House, Grand Cayman, KY1 – 1104, Cayman Islands.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are as disclosed in Note 12 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the company have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The consolidated financial statements are presented in United States Dollars ("USD") and all values in the tables are rounded to the nearest thousand ("USD'000"), except when otherwise indicated.

Under the prevailing laws and regulation in the People's Republic of China (the "PRC"), companies with foreign ownership are prohibited or restricted in certain areas, including the telecom service. Both BIZGO Technology (Guangdong) Co., Ltd. ("BIZGO Guangdong") and BIZGO Technology (China) Co. Ltd. ("BIZGO Suzhou") being Wholly Foreign Owned Entities (collectively the "PRC Entities"), have set up 2 Variable Interest Entities ("VIEs"), namely BIZGO Data Technology (Zhuhai) Co. Ltd ("VIE Zhuhai") and BIZGO Data Technology (Suzhou) Co. Ltd ("VIE Suzhou") respectively.

The PRC Entities have entered into contractual agreements with their respective VIEs and the relevant shareholders (being the registered shareholders of these VIEs) in order to conduct the Innovative Business, as part of the Group's value-added services, in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of these VIEs .

The Group through the PRC Entities exercise effective control over the VIEs respectively. Both the PRC Entities undertake to provide the respective VIEs with specified technical services as required to support their operations. In return, the PRC Entities are entitled to substantially all the operating profits generated by the VIEs as service fees. The relevant shareholders are required to pledge their interests in the VIEs to the PRC Entities. Accordingly, the PRC Entities have the rights to variable returns from its involvement in the VIEs and possess the ability to affect those returns through its power.

2. Summary of significant accounting policies (cont'd)

2.1 *Basis of preparation (cont'd)*

As a result, the VIEs were accounted for as subsidiaries of the Company. The formation of the VIEs were accounted for as transactions without substance and the Group consolidated the VIEs as if they were part of the Group from the beginning of the year ended 31 December 2018.

2.2 *Going concern assumption*

The financial statements of the Group have been prepared on a going concern basis.

As at 31 December 2020, the Group's current liabilities exceeded its current assets by USD 10,940,000 (2019: USD 54,721,000) and total liabilities exceeded its total assets by USD 6,748,000 (2019: USD 50,684,000).

The matters set out in the paragraph above indicates the existence of a material uncertainty which may affect the validity of the going concern assumption on which the accompanying financial statements are prepared.

Despite the uncertainty, the management and directors have assessed and is of the view that it is appropriate to prepare the financial statements on a going concern basis due to the following factors which were considered:

(i) Two shareholders have disbursed loans amounting to USD 375,000 each in May 2021 to the Company for the Group's working capital.

(ii) The Group has obtained written undertaking from 3 trade creditors to defer the payment of these debts to one year after the financial statement date amounting to USD 673,000;

(iii) The Group is actively seeking additional working capital through potential corporate fund-raising exercises.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2. Summary of significant accounting policies (cont'd)

2.3 *Adoption of new and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for the annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

2.4 *Standard issued but not yet effective*

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendment to FRS 116 Covid-19-Related Rent Concessions	1 June 2020
FRS 117: Insurance Contracts	1 January 2021
Amendments to FRS 16: Property, Plant and Equipment – Proceeds before Intended use	1 January 2022
Amendments to FRS 37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to FRS 1: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

2.5 *Basis of consolidation*

The combined financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the combined financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. Summary of significant accounting policies (cont'd)

2.5 *Basis of consolidation (cont'd)*

Business combinations involving entities under common control

The combined financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control.

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity ‘acquired’ is reflected in the merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

2.6 *Functional and foreign currency*

Functional currency

The combined financial statements are presented in USD, which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.7 *Plant and equipment*

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses

Depreciation is computed on a straight-line basis over the estimated useful life of the asset as follows:

Office equipment, furniture and fittings, renovation and computer	1 to 3 years

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.8 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.9 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The Group's debt instruments are classified as at amortised cost.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.9 *Financial instruments*

(b) *Financial liabilities (cont'd)*

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.10 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applied a simplified approach in calculating ECL. Therefore, the group does not track changes in a credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.11 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at banks and on hand and short-term fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group’s cash management.

2. Summary of significant accounting policies (cont'd)

2.12 *Inventories*

Inventories are stated at the lower of cost and net realisable value.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying amount of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.13 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.14 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the subsidiaries incorporated in China make contributions to the pension scheme in China and the subsidiaries incorporated in Singapore makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leaves entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2. Summary of significant accounting policies (cont'd)

2.15 *Leases*

The Group assess at contract inception whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office Space	-	3 years
Director’s accommodation	-	2 years

Depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group’s lease liabilities are included in balance sheet.

2. Summary of significant accounting policies (cont'd)

2.16 *Revenue*

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation

(a) *Sales of software usage*

Revenue from sale of software usage is recognised over time upon the transfer of significant risk and rewards of ownership of the goods to the customer over the license life of the software. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2.17 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.17 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of GST recoverable, or payable to, the taxation authority is included as part of receivables or payables in statement of financial position.

2. Summary of significant accounting policies (cont'd)

2.18 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.19 *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.

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

3. Significant accounting judgements and estimates

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Management is of the opinion that there is no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

(i) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future net cash inflows.

The carrying value of recognised tax losses for 2020 is USD 3.9 million (2019: USD 3.7 million).

4. Revenue

The Group recognizes revenue when control over distinct services is transferred to the customer, i.e. when the customer is able to direct the use of the transferred services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness. Revenue is the transaction price the Group expects to be entitled to.

(a) *Sale of Software usage*

Sale of software usage is accounted for on a straight-line basis over the licence term of the software, typically over a 12-month period.

	Group	
	2020	**2019**
	USD'000	USD'000
Type of services		
Direct sales	24,189	21,736
Channel sales	5,693	7,838
Others	82	121
	29,964	29,695
Geographical market		
China	29,964	29,695
Timing of transfer of services		
Over time	29,964	29,695

Direct sales represent 'software as a service' ("SaaS") sales to end users directly through the Group's sale force and recognized immediately upon sale. Channel sales represents SaaS sales upon sale of software keys to channel distributors. Revenue is only recognized once the user has activated the software key. Other sales represent service income generated from guidance of software usage to customers and printers sold as an accessory together with SaaS or separately.

5. Other income

	Group	
	2020	**2019**
	USD'000	USD'000
Government subsidy	172	410
Government grant	126	–
Net foreign exchange gain	913	563
Discounts given by creditors	2,983	–
Interest income	6	66
Other	258	27
	4,458	1,066

5. Other income (cont'd)

Government subsidy

For sales made within the Group's China operations, the Group is entitled to a VAT refund on software sales revenue of 13% from the People's Republic of China Government.

Government grant

Included in Government grants is the Job Support Scheme ("JSS") grant income recognised during the financial year in relation to the COVID-19 pandemic amounting to US$126,000 (2019: Nil). The JSS is a temporary scheme introduced by the Singapore Government in its 2020 Budget which provides wage support to employers to help them retain local employees during the period of economic uncertainty. Under the JSS, employers will receive cash grants in relation to the gross monthly wage of eligible employees.

6. Finance (income) / costs

	Group	
	2020	**2019**
	USD'000	USD'000
Bank charges	109	250
Interest expense on loans from shareholders	847	3,804
Interest expense on lease liabilities	18	12
Reversal of interest expense on loans	(3,786)	–
	(2,812)	4,066

7. Employee benefits

	Group	
	2020	**2019**
	USD'000	USD'000
Salaries and bonuses	6,701	27,026
Employers' contribution to defined contribution plans	182	439
Other short-term benefits	359	318
	7,242	27,783

8. Profit/(Loss) before taxation

Profit/(Loss) before tax is stated after charging/(crediting):

	Group	
	2020	**2019**
	USD'000	USD'000
Employee benefits (Note 7)	7,242	27,783
Sales commission	7,672	20,117
Depreciation of plant and equipment	108	314
Depreciation of right-of-use assets	166	152
Operating lease expense	400	740
Research and development expense	3,983	12,869
Marketing and advertising expense	862	2,908
Outsource service fee	303	1,213
Outsource support expense	591	2,444

Sales commission relates to commissions paid to sales agents on the sale of software. Under IFRS 15, the Group capitalises such commissions as incremental costs to obtain a contract with a customer if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue.

9. Taxation

Major components of taxation

The major components of income tax benefit for the financial year ended 31 December 2020 and 2019:

	Group	
	2020	**2019**
	USD'000	USD'000
Deferred tax expense	–	2,777

Domestic income tax for Singapore companies is calculated at 17% (2019: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. Taxation (cont'd)

Relationship between tax credit and accounting profit/(loss)

The reconciliation between tax credit and the product of accounting profit/(loss) multiplied by the applicable corporate tax rates for the financial year ended 31 December 2020 and 2019 are as follows:

	Group	
	2020	**2019**
	USD'000	USD'000
Profit/(Loss) before taxation	4,973	(44,696)
Income tax calculated at statutory tax rates of all entities in their respective tax jurisdictions	422	(10,675)
Tax effect of non-deductible expenses	890	1,057
Income not subjected to tax	(2,645)	(5)
Deferred tax assets not recognised	4,100	11,703
Reversal of deferred income tax assets recognised in previous years	–	2,777
Research & development's super deduction for China subsidiaries	(2,767)	(2,080)
Taxation	–	2,777

It should be reflected in the statement of financial position as follows:

Deferred tax assets	3,945	3,694

As at 31 December 2020, the Group has unutilised tax losses amounting to RMB 501 million (2019: RMB 458 million) for which no deferred tax is recognised due to uncertainly of its utilisation against future profit. The realisation of this potential tax benefit is subject to the agreement of tax authority and compliance with relevant provisions of Income Tax Act.

10. Plant and equipment

Group	**Computer Equipment**	**Office equipment, furniture and fittings, and electrical equipment**	**Renovations**	**Total**
	USD'000	USD'000	USD'000	USD'000
Cost				
As at 1 January 2019	114	28	893	1,035
Additions	109	5	39	153
Write off	(1)	–	–	(1)
Currency realignment	–	(1)	(11)	(12)
As at 31 December 2019	222	32	921	1,175
Additions	26	–	–	26
Write off	(63)	(15)	(583)	(661)
Currency realignment	12	2	60	74
As at 31 December 2020	197	19	398	614
Accumulated depreciation				
As at 1 January 2019	59	5	614	678
Depreciation charge for the year	60	10	244	314
Write off	(1)	–	–	(1)
Currency realignment	–	–	(6)	(6)
As at 31 December 2019	118	15	852	985
Depreciation charge for the year	54	7	47	108
Write off	(38)	(7)	(552)	(597)
Currency realignment	5	1	27	33
As at 31 December 2020	139	16	374	529
Net carrying amount				
As at 31 December 2019	104	17	69	190
As at 31 December 2020	58	3	24	85

11. Right-of-use assets

Group as a lessee

The Group has lease contracts for office space and director's accommodation used in its operations. Leases of office space generally have lease terms for 3 years, while leases of director's accommodation generally have lease terms for 2 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	**Leasehold building** USD'000
As at 1 January 2019	**343**
Additions	40
Depreciation of right-of-use asset	(152)
Exchange differences	3
As at 31 December 2019 and 1 January 2020	**234**
Additions	145
Depreciation of right-of-use asset	(166)
Exchange differences	4
As at 31 December 2020	**217**

Set out below are the carrying amounts of lease liabilities recognised and the movements during the period:

Group	**2020** USD'000	**2019** USD'000
As at 1 January	240	343
Additions	145	40
Accretion of interest	18	12
Payment	(181)	(157)
Exchange differences	4	2
As at 31 December	**226**	**240**
Current	171	159
Non-current	55	81

The following are the amounts recognised in profit and loss:

Group	**2020** USD'000	**2019** USD'000
Depreciation expense of right-of-use assets	166	152
Interest expense on lease liabilities	18	12
Total amount recognised in profit and loss	184	164

The Group has total cash outflow for leases of USD 125,000 (2019: USD 157,000) in 2020.
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12. Investment in subsidiaries

The details of the subsidiaries are as follows:

Name	**Country of incorporation**	**Principal activities**	**2020** %	**2019** %
Held by the Group:				
Bizgo Limited (1)	British Virgin Islands	Investment Holding	100	100
Held by Bizgo Limited:				
Bizgo HK Limited (1)	Hong Kong	Investment Holding	100	100
Held by Bizgo HK Limited:				
PT Awan Bisnis Internasional (1)	Indonesia	Dormant	–	100
Bizgo Holdings Pte Ltd (2)	Singapore	Investment Holding	100	100
Held by Bizgo Holdings Pte Ltd:				
Bizgo (India) Private Limited (3)	India	Dormant	99.99	99.99
Bizgo Technology (Guigang) Co. Ltd (1)	China	Software Sales	–	100
Bizgo Technology (China) Co. Ltd (4)	China	Software Sales	98.96	98.63
Bizgo Technology (Shanghai) Co. Ltd (4)	China	Software Sales	100	100
Bizgo Technology (Guangdong) Co. Ltd (4)	China	Software Sales	100	100
Bizgo (SG) Pte Ltd (2)	Singapore	Dormant	100	–

(1) Unaudited
(2) Audited by Ernst & Young LLP, Singapore
(3) Audited by Singhi & Co, India
(4) Audited by SuZhou DongXin Certified Public Accountants Co., Ltd. (苏州东信会计师事务所)

12. Investment in subsidiaries (cont'd)

Investment in PT Awan Bisnis Internasional held by Bizgo HK Limited

During the financial year, PT Awan Bisnis Internasional was sold and transferred to the agent who helped to form the company in Indonesia in July 2020.

Investment in BIZGO Holdings Pte Ltd held by Bizgo HK Limited

During the financial year, BIZGO Holdings Pte Ltd has changed name from BIZGO (S) Pte Ltd in July 2020.

Investment in BIZGO Technology (Guigang) Co. Ltd. held by Bizgo Holdings Pte Ltd

During the financial year, BIZGO Technology (Guigang) Co. Ltd. was de-registered in July 2020.

Investment in BIZGO (SG) Pte Ltd held by Bizgo Holdings Pte Ltd

During the financial year, BIZGO (SG) Pte Ltd was incorporated in July 2020.

13. Trade receivables

	Group	
	2020 USD'000	**2019** USD'000
Trade receivables		
Trade receivables	606	1,187
Add: Cash and short-term deposits	1,428	4,343
Deposits	56	46
Other receivables from related entities	36	34
Other receivables	151	209
Advance to suppliers	109	224
Total financial assets carried at amortised cost	2,386	6,043

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currency as at 31 December are as follows:

	Group	
	2020 USD'000	**2019** USD'000
Chinese Renminbi	606	1,187

13. Trade receivables (cont'd)

Expected credit losses

There is no allowance for expected credit losses arising from the Group's trade receivables as at 31 December 2020.

14. Other current assets

	Group	
	2020	**2019**
	USD'000	USD'000
Prepayments	36	90
Deposits	56	46
Other receivables from related entities	36	34
VAT receivables	421	431
Other receivables	260	433
	809	1,034

Other receivables from related entities:

Amounts receivable from related entities are unsecured, and are to be settled in cash on a 30-60 day term.

15. Deferred Commission

	Group		Company	
	2020	**2019**	**2020**	**2019**
	USD'000	USD'000	USD'000	USD'000
Deferred commission	2,269	14,974	–	–

Deferred commission relates to sales commissions paid to sales agents on the sale of software as a service. The Group applied the practical expedients in IFRS 15 for costs to obtain a contract to expense those costs that would have been amortised over one year or less. Under IFRS 15, the Group capitalises such commissions as incremental costs to obtain a contract with a customer if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue.

16. Cash and bank balances

	Group	
	2020 USD'000	**2019** USD'000
Cash on hand and at banks	1,428	4,343

Cash at banks earns interest at floating rates based on daily floating rates.

Cash and bank balances denominated in foreign currency as at 31 December are as follows:

	Group	
	2020 USD'000	**2019** USD'000
Chinese Renminbi	965	1,541
Hong Kong Dollars	14	14
Singapore Dollars	69	124

17. Trade and other payables

	Group	
	2020 USD'000	**2019** USD'000
Trade payables		
Trade payables	972	6,744
Other payables	180	340
	1,152	7,084
Add:		
Borrowings (Note 18)	6,500	40,000
Other liabilities (Note 20)	448	5,579
Total financial liabilities carried at amortised cost	8,100	52,663

Included in other payables consists of advances from customers where the product sold to customers has been paid but they have yet to activate the usage code.

17. Trade and other payables (cont'd)

Trade and other payables

These amounts are non-interest bearing. Trade and other payables are normally settled on 30-60 day terms.

Trade and other payables denominated in foreign currency as at 31 December are as follows:

	Group	
	2020 USD'000	**2019** USD'000
Chinese Renminbi	1,178	7,071
Singapore Dollar	324	13

18. Borrowings

		Group	
	Maturity	**2020** USD'000	**2019** USD'000
Short term borrowings			
Loans from shareholders	2021	6,500	40,000

On 24 February 2020, loans from Asia Capital Ventures, CAAF Ltd and United Networks Limited were capitalized into 80,305,159 Series D Preference Shares, amounting to USD 40,000,000 and the interest payable was subsequently waived.

During the year, loans amounting to USD 6,500,000 from CAAF Ltd and United Networks Limited given to the Company are secured and bear interest at 1.25% per annum. Repayment will commence in February 2021 over 8 monthly instalments.

19. Deferred revenue

	Group	
	2020 USD'000	**2019** USD'000
Deferred revenue	7,781	23,437

Deferred revenue relates to those amounts received in advance upon the sale of the software but can only be recognised over time upon the transfer of significant risk and rewards of ownership of the services to the customer over the licence life of the software.

20. Other liabilities

	Group 2020 USD'000	Group 2019 USD'000
Accrued operating expense	448	5,579

21. Lease liabilities

Group	Incremental borrowing rate	Maturity	2020 USD'000	2019 USD'000
Current lease liabilities	4.06%	2022	171	159
Non-current lease liabilities	4.06%	2022	55	81
Total lease liabilities			226	240

22. Share capital

	Group			
	2020		2019	
	No. of ordinary shares	USD'000	No. of ordinary shares	USD'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	364,405,159	40,284	284,100,000	284

The share capital of the Company is USD 100,000,000 divided into 100,000,000,000 shares of a nominal or par value of USD 0.001 comprising of 150,000,000 Series D convertible preference shares of a nominal or par value of USD 0.001 each, 84,100,000 Pre-Series D convertible preference shares of a nominal or par value of US$0.001 each and 99,765,900,000 ordinary shares of a nominal or par value of USD 0.001 each.

The holders of all shares are entitled to receive dividends as and when declared by the Company and carry one vote per share without restrictions.

During the year, USD 40,000,000 (Note 18) was capitalised into share capital via issuance of Series D convertible preference shares.

23. Reserves

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Other reserve

Other reserve represents gain on waiver of repayment of redeemable convertible bonds.

Merger reserve

Merger reserve represents the difference between the consideration transferred and the share capital of the subsidiaries under common control accounted for by applying the pooling of interest method.

24. Significant related party transactions

In addition to related party information disclosed elsewhere in the financial statements, the following were significant related party transactions at terms agreed between the Group and the Company with related parties during the financial year:

	Group	
	2020	**2019**
	USD'000	USD'000
Loan to related parties	–	1,579
Advances to director	29	53
Repayment from director	4	45

Compensation of key management personnel

	Group	
	2020	**2019**
	USD'000	USD'000
Directors of the Company		
- Short term employee benefits	167	157
- Post-employment benefits	9	9
	176	166
Other key management		
- Short term employee benefits	518	1,433
- Post-employment benefits	23	37
	541	1,470

25. Fair value of assets and liabilities

(a) *Fair value hierarchy*

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or the liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) *Assets and liabilities that are not carried at fair value but whose carrying amounts are reasonable approximation of fair value*

Management has determined that the carrying amount of the Company's financial assets and liabilities that are not measured at fair value are reasonably approximates to their fair value due to their short-term nature.

The following table sets out the financial instruments as at the end of the reporting period:

	Group	
	2020	**2019**
	USD'000	USD'000
Financial assets		
Trade receivables	606	1,187
Cash and cash equivalents	1,428	4,343
Other receivables from related entities	36	34
Other receivables	151	209
Deposits	56	46
Advance to suppliers	109	224
Financial assets at amortised cost	2,386	6,043
Financial liabilities		
Trade payables	972	6,744
Other payables	180	340
Borrowings	6,500	40,000
Lease liabilities	226	240
Other liabilities	448	5,579
Financial liabilities at amortised cost	8,326	52,903

26. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks. It is and has been throughout the current financial year, the Group's policy not to engage in speculative activities.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from amount due from third parties, immediate holding company, subsidiaries, related company and a director. For other financial assets such as cash and cash equivalents, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investment with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

The Group determined that its financial assets are credit-impaired when:

- There is a significant difficulty of the issuer or the debtor
- A breach of contract, such as default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

26. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

The Group categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for non-trade financial assets and loans at amortised cost.

<u>Non-trade financial assets and loans at amortised cost</u>

The Group uses three categories of internal credit risk ratings for debt instruments and loans which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are determined through incorporating both qualitative and quantitative information that builds on information from information specific to the counterparty and other external information that could affect the counterparty's behaviour.

The Group compute expected credit loss for this group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Group considers implied probability of default based on historical loss rates for each category of counterparty, and adjusts for forward looking macroeconomic data such as GDP growth.

Category	**Definition of Category**	**Basis for recognition of expected credit loss provision**
Grade I	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows.	12-month expected credit losses
Grade II	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are past due 30 days	Lifetime expected credit losses
Grade III	Interest and/or principal repayments are past due 90 days.	Lifetime expected credit losses

There are no significant changes to estimation techniques or assumptions made during the reporting period.

26. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region and type of customers. The expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Management has assessed that the impact of the loss allowance provision as at 31 December 2019 is not significant.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

China:

	0 to 3 months USD'000	**3 to 6 months** USD'000	**7 to 12 months** USD'000	**More than 1 year** USD'000	**Total** USD'000
As at 31 December 2020					
Gross carrying amount	143	70	220	173	606

China:

	Current USD'000	**More than 30 days past due** USD'000	**More than 60 days past due** USD'000	**More than 90 days past due** USD'000	**Total** USD'000
As at 31 December 2019					
Gross carrying amount	1,078	67	42	–	1,187

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group are of the view that liquidity risk is minimal and the continue financial supports from its shareholders and to raise funds from potential investors as and when required.

26. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayments obligations.

	2020		
	Less than one year	**More than one year**	**Total**
	USD'000	USD'000	USD'000
Financial assets			
Trade receivables	606	–	606
Cash and cash equivalents	1,428	–	1,428
Deposits	56	–	56
Other receivables from related entities	36	–	36
Other receivables	151	–	151
Advance to suppliers	109	–	109
Total undiscounted financial assets	2,386	–	2,386
Financial liabilities			
Trade and other payables	1,152	–	1,152
Borrowings	6,500	–	6,500
Lease liabilities	188	58	246
Other liabilities	448	–	448
Total undiscounted financial liabilities	8,288	58	8,346
Total net undiscounted financial liabilities	(5,902)	(58)	(5,960)

26. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	2019		
	Less than one year	**More than one year**	**Total**
	USD'000	USD'000	USD'000
Financial assets			
Trade receivables	1,187	–	1,187
Cash and cash equivalents	4,343	–	4,343
Deposits	46	–	46
Other receivables from related entities	34	–	34
Other receivables	209	–	209
Advance to suppliers	224	–	224
Total undiscounted financial assets	6,043	–	6,043
Financial liabilities			
Trade and other payables	7,084	–	7,084
Borrowings	40,000	–	40,000
Lease liabilities	166	83	249
Other liabilities	5,579	–	5,579
Total undiscounted financial liabilities	52,829	83	52,912
Total net undiscounted financial liabilities	(46,786)	(83)	(46,869)

(c) Foreign currency risk

The Group has transactional currency exposures arising from sales and purchases that are not denominated in a currency other than the respective functional currencies of the Company. The foreign currencies in which these transactions are denominated are mainly Singapore Dollars (SGD) and Chinese Renminbi (RMB).

The Group also hold cash at banks denominated in foreign currencies for working capital purpose. At the end of reporting period, such foreign currency balances are mainly in SGD and RMB. It is not the policy of the Group to enter into forward contracts to manage the exposure to foreign currency movements.

The carrying amounts of significant foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Group			
	Assets		**Liabilities**	
	2020	**2019**	**2020**	**2019**
	USD'000	USD'000	USD'000	USD'000
SGD	150	174	324	56
RMB	2,271	3,182	1,178	8,753

26. Financial risk management objectives and policies (cont'd)

(c) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the respective foreign currency against the functional currency of the Group, with all other variables held constant.

	2020	**2019**
	USD'000	USD'000
	Profit before tax	Profit before tax
USD/RMB		
- strengthen against 6% (2019: 1%)	(70)	(79)
- weaken against 6% (2019: 1%)	70	79
USD/SGD		
- strengthen against 2% (2019: 1%)	3	2
- weaken against 2% (2019: 1%)	(3)	(2)

27. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operation. The Group relies on funding from the shareholders to meet its financial obligations, where applicable.

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

28. Events occurring after the reporting period

In May 2021, loans of USD 750,000 bearing interest at 1.25% per month from CAAF Ltd and United Networks Limited were drawn down by the Company for the Group's working capital.

Supplemental letters to the USD 6,500,000 loans given by CAAF Ltd and United Networks Limited (Note 18) were also entered in May 2021, wherein the repayments of interest and principal were extended with final repayment to be made in December 2022.

A Letter of Intent (LOI) was signed on 28 July 2021 to swap the BizGo Holdings Pte Ltd's entire shareholding in BIZGO Technology (China) Co. Ltd for new shares in a China registered company. The definitive documents are currently scheduled to be executed on 30 July 2021.

29. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 6 August 2021.