



Company registration number - 200409104W

(Incorporated in Singapore)

Condensed Interim Financial Statements

For the six months ended 30 September 2022

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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022**

	Note	Group Six Months Ended 30 September 2022 S\$,000	30 September 2021 S\$,000	Change %
Revenue	3	20,036	20,373	(1.65)
Cost of sales		(12,086)	(12,755)	(5.25)
Gross profit		7,950	7,618	4.36
Other income/(expense), net	5	(59)	592	NM
Selling and distribution expenses		(220)	(237)	(7.17)
General and administrative expenses		(5,778)	(5,528)	4.52
Finance costs		(486)	(510)	(4.71)
Profit before tax from continuing operations	4	1,407	1,935	(27.29)
Income tax		(1)	(50)	NM
Profit for the period		1,406	1,885	(25.41)
Profit/(Loss) for the period attributable to:				
Owners of the Company		1,424	1,880	(24.26)
Non-controlling interests		(18)	5	NM
		1,406	1,885	(25.41)
Items that may be reclassified subsequently to profit & loss account:				
Foreign exchange translation		(7)	(17)	NM
Total comprehensive income/(loss) for the period		1,399	1,868	(25.11)
Earnings per share attributable to equity holders of the Company				
Basic and diluted profit/(loss) per share		1.55	2.07	NM
Profit/(Loss) for the period attributable to:				
Owners of the Company		1,417	1,863	(23.94)
Non-controlling interests		(18)	5	NM
		1,399	1,868	(25.11)

“NM” – Not meaningful

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (GROUP AND COMPANY) FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

		Group S\$'000		Company S\$'000	
	Note	Unaudited 30 Sept 2022 S\$'000	Unaudited 31 March 2022 S\$'000	Unaudited 30 Sept 2022 S\$'000	Unaudited 31 March 2022 S\$'000
Non-current assets					
Property, plant and equipment	6	22,570	22,806	244	304
Investment properties	7	28,500	28,500	600	600
Investments in subsidiaries		-	-	1,197	1,197
Intangibles	8	484	460	-	-
Deferred tax asset		376	373	-	-
Total non-current assets		51,930	52,139	2,041	2,701
Current assets					
Cash and cash equivalents		3,951	6,126	50	882
Trade and other receivables		7,447	5,801	9,918	9,906
Tax receivable		49	59	-	-
Inventories		11,924	10,061	-	-
Total current assets		23,371	22,047	9,968	10,788
Total assets		75,301	74,186	12,009	13,489
Current liabilities					
Trade and other payables		7,300	5,741	4,506	4,544
Contract liabilities		12	209	-	-
Borrowings	9	15,678	16,314	108	1,108
Tax payable		94	48	-	-
Total current liabilities		23,084	22,312	4,614	6,252
Non-current liabilities					
Other payables		232	318	-	-
Deferred tax liabilities		73	191	-	-
Borrowings	9	20,891	21,743	96	162
Provisions		191	191	-	-
Liabilities for post-employment benefits		-	-	-	-
Total non-current liabilities		21,387	22,443	96	162
Total liabilities		44,471	44,755	4,710	5,814
Equity attributable to owners of the Company					
Share capital	10	51,172	51,172	51,172	51,172
Treasury shares	11	(99)	(99)	(99)	(99)
Other reserves		4,790	4,797	(355)	(355)
Accumulated losses		(24,982)	(26,406)	(43,419)	(43,643)
Total equity attributable to owners of the parent		30,881	29,464	7,299	7,075
Non-controlling interests		(51)	(33)	-	-
Total equity		30,830	29,431	7,299	7,075
Total equity and liabilities		75,301	74,186	12,009	13,489

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	Six Months Ended	
	30/09/2022	30/09/2021
	S\$'000	S\$'000
Operating activities:		
Profit before income tax	1,407	1,935
Adjustments for:		
Depreciation	839	1,128
Interest income	(17)	(34)
Interest expenses	453	510
Foreign currency translation	175	285
Operating cash flows before working capital changes	2,857	3,824
Increase in receivables and prepaid operating expenses	(1,329)	(1,279)
(Increase)/Decrease in Inventories	(1,865)	111
Increase in payables	732	153
Cash flows generated from operations	395	2,809
Income tax paid	(67)	170
Net cash flows generated from operating activities	328	2,979
Investing activities:		
Purchase of property, plant and equipment	(603)	(146)
Purchase of intangible assets	(24)	-
Interest income	17	34
Net cash flows used in investing activities	(610)	(112)
Financing activities:		
Net repayment of financial liabilities	(1,578)	(1,775)
Advances from third party	90	-
Interest paid, net	(453)	(509)
Net cash flows used in financing activities	(1,941)	(2,284)
Net (decrease)/increase in cash and cash equivalents	(2,223)	583
Cash and cash equivalents at beginning of period	2,501	1,345
Cash and cash equivalents as per statement of financial position	278	1,928
Note (a)		
Cash on hand and at bank	1,201	2,395
Fixed deposits	2,750	2,607
Cash and cash equivalents as per statement of financial position	3,951	5,002
Less: Fixed deposits pledged	(2,750)	(2,607)
Less: Bank overdraft	(923)	(467)
Cash and cash equivalents at end of period	278	1,928

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

Group	Share capital	Treasury shares	Other reserves	Accumulated profits/(losses)	Equity attributable to owners of the Company	Non-controlling interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 April 2022	51,172	(99)	4,797	(26,406)	29,464	(33)	29,431
Profit for the period	-	-	-	1,424	1,424	(18)	1,406
Other comprehensive loss for the financial year	-	-	(7)	-	(7)	-	(7)
Balance at 30 September 2022	51,172	(99)	4,790	(24,982)	30,881	(51)	30,830
Balance at 1 April 2021	51,172	(99)	4,701	(33,665)	22,109	(12)	22,097
Profit for the period	-	-	-	1,885	1,885	(2)	1,883
Other comprehensive loss for the financial year	-	-	(66)	-	(66)	-	(66)
Balance at 30 September 2021	51,172	(99)	4,635	(31,780)	23,928	(14)	23,914
Company	Share capital	Other reserves	Accumulated losses	Total Equity			
	S\$'000	S\$'000	S\$'000	S\$'000			
Current quarter – 2Q2023							
Balance at 1 April 2022	51,172	(454)	(43,643)	7,075			
Profit for the period	-	-	224	224			
Balance at 30 September 2022	51,172	(454)	(43,419)	7,299			
Previous quarter – 2Q2022							
Balance at 1 April 2021	51,172	(454)	(43,864)	6,854			
Loss for the period	-	-	155	155			
Balance at 30 September 2021	51,172	(454)	(43,709)	7,009			

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

The Company (Co. Reg. No: 200409104W) is incorporated and domiciled in Singapore. The address of its registered office is at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632. The principal place of business of the Company is at 7 Temasek Boulevard, #29-02A Suntec Tower One, Singapore 038987.

These condensed interim consolidated financial statements as at and for the six months ended 30 September 2022 comprise the Company and its subsidiaries (collectively, the “Group”). The principal activity of the Company is an investment holding company and its subsidiaries’ principal activities include trading and servicing of outboard motors, healthcare equipment and calibration tools, recycling of waste oil and property investment.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 September 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the performance of the Group since the last annual financial statements for the year ended 31 March 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements of the Group and the Company are presented in Singapore Dollar (“SGD”), which is the Company’s functional currency.

2.1 New and revised standards

In the current financial period, the Group has adopted all the new and revised SFRS(I) and SFRS(I) Interpretations (“SFRS(I) INT”) that are relevant to its operations and effective for the current financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INT.

The adoption of these new and revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial results or position of the Group and the Company.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.2 Critical Accounting Judgments and Estimates

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, there is no instance of application of judgments with significant updates since the latest interim financial statements as at 31 March 2022 and is expected to have a significant effect on the amounts recognised in the condensed consolidated interim financial statements.

Going concern assumption

The Group's significant operations in Singapore and Malaysia were affected by COVID-19 pandemic and it will continue to have an impact on the Group's financial position, financial performance, cash flows and prospects for the foreseeable future.

Due to the inherent uncertainties arising from the continually evolving situation, it was challenging to predict the full extent and duration of COVID-19 pandemic and its impact on the stability and volatility in the financial markets.

As at 30 September 2022, the Group has outstanding bank loan and trade financing of \$4,349,000 (31 March 2022: \$4,349,000) and \$7,164,000 (31 March 2022: \$7,669,000) respectively that were defaulted since 2019 and classified as current liabilities. Nonetheless, the Group has been making constructive repayments for these borrowings. As of the date of this announcement, the bank for these borrowings has not issued any demand for immediate repayment.

The factors stated above indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and of the Company to continue as going concern. Nonetheless, the management is of the opinion that the use of the going concern basis in the preparation of the financial statements is appropriate, after taking into consideration significant developments as stated in Note 3 of the annual report for the financial year ended 31 March 2021 as well as the latest interim financial statements for the year ended 31 March 2022.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.2 Critical Accounting Judgments and Estimates (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Calculation of allowance for impairment loss for financial assets at amortised cost

When measuring expected credit loss ("ECL"), the Group and the Company use reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions, as well as consideration of the implications of the COVID-19 pandemic on the assumptions. Loss given default is an estimate of the loss arising on from default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group uses provision matrix to calculate ECL for trade receivables. 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 adjust historical credit loss experience with current and forward-looking information.

As the calculation of impairment loss allowance on trade receivables and other receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of receivables. There was no impairment recognised during the period end.

Valuation of inventories

A review is made on inventory for obsolete or slow-moving inventory and declines in net realisable value below cost and inventories are written down for any such declines. The review requires management to consider the future demand for the products. In any case, the net realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The considerations for estimating the net realisable values and determining the amount of write-down include current economic condition, historical sales record, ageing analysis, technical assessment and subsequent sales. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. The economic uncertainties resulting from the COVID-19 pandemic have impacted and may continue to impact selling prices and the saleability of inventories. Any significant changes in anticipated future selling prices and saleability may affect the carrying value of the inventories. No impairment was recognised during the period end.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.2 Critical Accounting Judgments and Estimates (cont'd)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Based on management's assessment, no impairment is provided for the current period end.

Fair value measurement for investment properties

Investment properties are initially recorded at cost and subsequently carried at fair value, determined by an external professional valuer.

In estimating the fair value, the professional valuers have adopted the comparable sales method and replacement cost method. In relying on the valuation reports, management has evaluated and is satisfied that the professional valuers have appropriate recognised professional qualifications, is competent, used appropriate valuation methodologies and has applied estimates which are reflective of current market conditions at the end of each reporting period.

The valuation techniques and significant unobservable inputs used to determine the fair value of the investment properties are further explained in Note 8. No impairment was recognised during the period.

Impairment of investments in subsidiaries

The Company reviews the investments in subsidiaries at the end of the financial year to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the investment is estimated to determine the impairment loss or reversal of impairment. Where value in use calculations are undertaken, management is required to estimate the expected future cash flows from the investment or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Based on management's assessment, no impairment was recognised during the period.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. Revenue

	H1 2023	Group
	\$'000	H1 2022
		\$'000
Sale of marine equipment and accessories	13,775	15,577
Sale of scientific and precision equipment	1,200	1,582
Sale of recycling of waste oil	1,875	1,426
Rendering of marine equipment related services	496	163
Rendering of rental related services	718	590
Rental income	1,041	1,035
Others	931	-
	20,036	20,373
<i>Timing of revenue recognition</i>		
At point in time	18,277	18,585
Over time	1,759	1,788
	20,036	20,373

The Group applies the practical expedient in SFRS(I) 15 and does not disclose information about its remaining performance obligation if:

- The performance obligation is part of a contract that has an original expected duration of one year or less; or
- The Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

4. Profit before taxation

The following items have been included in arriving at profit before tax:

	H1 2023	Group
	\$'000	H1 2022
		\$'000
Depreciation	839	1,237
Professional fees	644	710
Rental expenses	331	270
Staff costs	2,242	1,734
Property tax	169	176
Utilities	346	203
Foreign exchange loss – realised	102	26

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5. Other (expense)/income

	H1 2023	Group	H1 2022
	\$'000		\$'000
Foreign exchange gain, net	(85)		221
Government grants	84		34
Interest income	17		34
Service income	-		29
Surrender of keyman insurance	-		99
Rental income	-		98
Others	(75)		77
	<u>(59)</u>		<u>592</u>

6. Property, plant and equipment

During the six months ended 30 September 2022, the Group did not make any significant acquisition and disposal other than the purchase of property amounting to \$440,000 through its Malaysia subsidiary.

7. Investment properties

The investment properties are mortgaged to secure bank loans and followings are the details of the properties:

Description and location	Existing use	Floor area (sqm)	Tenure	Significant unobservable input ⁽¹⁾
182, 184, 186 Woodlands Industrial Park E5, Singapore 757515	Workshops, offices and workers' dormitory	8,560.3	30 years lease commencing 25 April 2007	Price per square foot ⁽¹⁾

⁽¹⁾ Any significant increase (decrease) in the significant unobservable input would result in a significantly higher (lower) fair value measurement.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

8. Intangible assets

Intangible assets of the Group solely comprised goodwill from acquisition of Biofuel Research Pte Ltd with the carrying amount of S\$459,000. The goodwill has an indefinite useful life. It is not subject to amortisation and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. No impairment indicators were identified as at 30 September 2022 based on the CGU's business performance. The Group performed its annual impairment test on 31 March 2021. The key assumptions used to determine the recoverable amount for the CGU were disclosed in the annual consolidated financial statements for the year ended 31 March 2021. The key assumptions remain the same for financial period ending 30 September 2022.

9. Borrowings

	The Group		Company	
	Group			
	30 September	31 March	30 September	31 March
	2022	2022	2022	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable within one year or less, or on demand				
Unsecured loans	386	1,283	108	1,108
Secured loans	15,292	15,031	–	–
	<u>15,678</u>	<u>16,314</u>	<u>108</u>	<u>1,108</u>
Amount repayable after one year				
Unsecured loans	4,314	4,488	96	162
Secured loans	16,577	17,255	–	–
	<u>20,891</u>	<u>21,743</u>	<u>96</u>	<u>162</u>
Total loans and borrowings	<u>36,569</u>	<u>38,057</u>	<u>204</u>	<u>1,270</u>

Borrowings are secured by fixed charges on properties, shares in the subsidiaries, corporate guarantees of the Company, personal guarantees given by a former director of the Group, fixed deposits pledged to the banks and in respect of certain subsidiaries, the borrowings are also secured by a debenture with floating charge over their assets, past, present and future.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

10. Share Capital

	Group		and Company	
	2023		2022	
	Number of issued shares '000	Issued share capital S\$'000	Number of issued shares '000	Issued share capital S\$'000
At 1 April	90,287	51,172	90,287	51,172
Issuance of shares pursuant to PSP	—	—	—	—
At 30 September	90,287	51,172	90,287	51,172

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

Ordinary Shares

7.4 million of performance shares ("the 7.4 million shares") were purportedly issued to a former CEO during the quarter ended 30 September 2019. Pursuant to an Order (by consent) made on 18 January 2022, the 7.4 million shares have been returned to the Company and cancelled on 22 March 2022.

Performance Shares

Except for the 7.4 million shares referred to above, there were no performance shares granted as at 30 September 2022 (30 September 2021: Nil).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11. Treasury shares

	Group and Company			
	2023		2022	
	Number of issued shares	\$'000	Number of issued shares	\$'000
Balance at beginning and end of financial year	634,600	99	634,600	99

Treasury Shares

As of 30 September 2022, the Company has 634,600 treasury shares (30 September 2021: 636,400) as of the end of the reported period.

12. Net asset value

	Group		Company	
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	34.14	32.59	8.08	7.83
No. of ordinary shares used in computing net asset value*	90,287,403	90,287,403	90,287,403	90,287,403

*This excludes the 7.4 million shares issued to Dr Lim Boh Soon. See note 9 above.

13. Loss per share

	Group	
	30/09/2022	30/09/2021
(Losses)/profits per ordinary share from the group, after deducting any provision for preference dividends (in SGD cents):		
(a) Based on weighted average number of ordinary shares on issue; and	1.55	2.07
Weighted average number of ordinary shares for basic profits/ (losses) per share computation	90,287,403	90,287,403
(b) On a fully diluted basis	1.55	2.07
Weighted average number of ordinary shares adjusted for the effect for dilution	90,287,403	90,287,403

14. Subsequent event

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

OTHER INFORMATION

1. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The condensed interim consolidated statement of financial position of USP Group Limited and its subsidiaries as at 30 September 2022 and the related condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. **Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-**

a) Updates on the efforts taken to resolve each outstanding audit issue.

b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

3. **Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-**

a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF PERFORMANCE (2Q2023 VS 2Q2022)

Revenue

	H1 2023	H1 2022	Variance	
	\$'000	\$'000	\$'000	%
Sale of marine equipment and accessories	13,775	15,577	(1,802)	(11.57)
Sale of scientific and precision equipment	1,394	1,582	(188)	(11.88)
Sale of recycling of waste oil	1,875	1,426	449	31.49
Rendering of marine equipment related services	302	163	139	NM
Rendering of rental related services	718	590	128	21.69
Rental income	1,041	1,035	6	0.58
Others	931	-	931	NM
	20,036	20,373	(373)	(1.65)

For the half year ended 30 September 2022, the Group revenue decreased by 1.65% primarily due to the decrease in sales of marine equipment and scientific & precision equipment. Such reduction is being alleviated, primarily by the increase in sales of recycling of waste oil as well as revenue from scaffolding works under Others. More details are provided below:

Sales of marine equipment and accessories:

Revenue for Malaysia and Singapore market declined by 11.57% due to the shortage of stocks (outboard motor) from the Group's suppliers despite the higher book order received from local customers. Due to these circumstances, the Group has made forward purchase up to 9 months ahead.

Sales of scientific and precision equipment:

Sales of scientific and precision equipment decreased by 11.88% is due to numerous factors such as increasing in the numbers of competitors in the market by diluting the Group's market shares and customers' preference towards cheaper alternative.

OTHER INFORMATION

REVIEW OF PERFORMANCE (2Q2023 VS 2Q2022)

Revenue

Sales of recycling of waste oil:

There is an increase in sales of recycling of waste oil by 31.49% due to the upward adjustment in the selling price of the grease oil and increase in the volume produced, through running the production at full capacity and introducing a second phase of waste oil suppression.

Rendering of rental related services:

The increase in rental related services revenue is due to the higher usage of the utilities that was subsequently recharge back to the tenants. The capacity of the dormitory is remaining the same as previous financial year.

Others:

The Group through its newly incorporated subsidiaries, Darts Engineering Pte Ltd ("Darts Engineering") and ThreeOne Recruitant Pte Ltd ("ThreeOne") have achieved sales of \$931,000 mainly through the scaffolding works carried out.

Cost of sales

The cost of sales of the Group decreased by \$669,000 from \$12,755,000 to \$12,086,000 was largely due to the disruption of supply chain of the main supplier that is causing the shortage of stocks. Also, the increase in gross profit margin by 2.29% from 37.39% to 39.68% was due to the increase in contribution by sales of recycling of waste oil with higher profit margin ranging from 89% to 90%.

Other (expenses)/Income, net

Other income decreased by \$651,000 was mainly due to higher foreign exchange gain recognised and the receipts from the surrender of keyman insurance with a total of S\$320,000 for the previous reported period. Also, an additional reduction in other income by S\$98,000 was contributed by the decrease in rental income from the discontinuance of subletting to third party.

General and Administrative

Administrative expenses increased by \$250,000 from \$5,528,000 to \$5,778,000 mainly due to the increase in staff cost by \$508,000 which is due to the expansion of marine segment, to cater for the operation for waste oil recycling as the production is at full capacity as well as recruiting new staffs for the newly incorporated companies, Darts Engineering and ThreeOne. Also, the utilities increased by \$143,000 from \$204,000 to \$346,000 due to the higher consumption by the dormitory tenant. This increment is being alleviated by the decrease in depreciation by \$398,000. Other miscellaneous overheads remain fairly consistent as compared to H2 FY2022.

Finance Costs

The decrease in finance costs by S\$24,000 compared to the 1HFY2022 was mainly due to the progressive repayment of loan principal. This will slowly improve on the gearing ratio of the Company by repaying the defaulted loans that was neglected by previous management.

Profit After Tax

The Group recorded a profit of \$1,406,000 in 1HFY2023 as compared to \$1,885,000 in 1HFY2022. This drop in net profit of \$479,000 was mainly due to the shortage of stock for the marine sector as well as the overhead incurred for newly start up subsidiaries, Darts Engineering and ThreeOne.

OTHER INFORMATION

REVIEW OF PERFORMANCE (2Q2023 VS 2Q2022)

Non-Current Assets

The decrease in the fixed assets of Property, Plant and Equipment was mainly due to increase in accumulated depreciation of \$839,000 and is alleviated by the purchases of new property amounting to S\$440,000 as well as other equipment of \$169,000.

Current Assets

Current asset increased by \$1,324,000 from \$22,047,000 to \$23,371,000, mainly due to higher receivable balance and inventories.

Trade receivables increased to \$5,801,000, from \$7,447,000 as at 30 September 2022 due to the delay in timing for collection.

Current inventories increased to \$10,061,000 from \$11,924,000, mainly due to high book order by customers and forward purchase of outboard motor.

The increase in both receivables and inventories is alleviated by a reduction in cash at bank of \$2,175,000 as a result of major purchases for marine segment due to the disruption of supply chain as a result of COVID-19 pandemic.

Current Liabilities

Current liabilities increased by \$772,000 due to the increase in trade and other payables by \$1,559,000 due to the major purchases placed with suppliers for the outboard motor and labour cost incurred by the newly start-up subsidiary, Darts Engineering.

The increase in trade and other payables is alleviated by the decrease in borrowings \$636,000 as a result of the progressive repayment made to the Group's principal banker. The Group has been making a total progressive repayment of \$1,488,000 to the borrowings for the first half of FY2023.

Non-current Liabilities

Long term borrowings decreased by \$852,000 were due to the reclassification of loan's instalment due within next 6 months to current liabilities. repayment of principle by approximately \$850,000 As at 30 September 2022, the Group had outstanding bank loan and trade financing of \$4,349,000 (31 March 2022: \$4,349,000) and \$7,164,473 (31 March 2022: \$7,669,000) respectively that were defaulted since 2019 and classified as current liabilities.

REVIEW OF FINANCIAL POSITION AND CASH FLOW STATEMENT

Cash Flow

During 2Q FY2023, cash and cash equivalents decreased from \$5 million to \$3.9 million due to the forward purchase made by the Group to cope with the shortage of stocks in order to fulfil the order book on hand.

Net cash inflows from operating activities amounted to \$328,000 after accounting for a positive change in working capital of \$2.8 million. The Group has been experiencing higher credit sales in 1HFY2023 which results in an increase in receivables and prepaid operating expenses.

Net cash outflows from investing activities amounted to \$603,000 primarily for the purchase of shophouse in Malaysia for the expansion of business operation.

Net cash outflows from financial activities amounted to \$1.9 million were primarily for the repayment of borrowings and the corresponding interest expense.

OTHER INFORMATION

4. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual result.**

Not applicable. No forecast or prospect statement has been disclosed to shareholders previously.

5. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Distributorship

Despite the ongoing COVID-19 pandemic, the Group's marine business continues to remain stable. Supratechnic Pte Ltd ("Supra") had, on 30 March 2022, entered into an agreement with Mercury Marine Singapore Pte Ltd to renew Supra's Mercury Distributor Agreement. The distributor agreement will allow Supra to continue selling and distributing Mercury motors and engines for a renewal term of two (2) years. Please refer to the Company's announcement dated 11 April 2022 for more information.

Fire Terminator

The Company had, on 29 April 2022, entered into a non-binding Memorandum of Understanding with Fire Terminator International Pte Ltd ("FT"). The Company shall continue to cooperate and work with FT to research, conceptualize and plan for solutions for the purposes of fire extinguishing and the production and manufacturing of fire extinguishing devices. Please refer to the Company's announcement dated 4 May 2022 for more information.

OTHER INFORMATION

5. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months. (cont'd)**

Current litigations

The Group's ongoing litigations are set out as follows:

A. Litigations where the Company is a Plaintiff:

1. HC Suit No. S328/2020 in relation to a sale and purchase agreement of Koon Cheng Development Pte Ltd
2. HC Suit No. S292/2021 in relation to a loan agreement between Mr Oon Koon Cheng and the Company and breach of fiduciaries duties and dishonest/knowing assistance
3. HC Suit No. S855/2020 in relation to the Circular issued for the Company's Extraordinary General Meeting scheduled on 10 February 2020
4. HC Suit No. S88/2021 in relation to the acquisition of three (3) Eco Fuel Production Plants
5. HC Suit No. S130/2021 in relation to the breach of fiduciaries duties

B. Litigations where the Company is a Defendant:

1. HC Suit No. S612/2020 in relation to Mr Oon Koon Cheng's claim for conspiracy
 2. BC No. BC 60/2022 in relation to a disputed invoice rendered by Fervent
- (a) In respect of B(2), please refer to the Company's announcements dated 25 March 2022 and 23 May 2022.
- (b) In respect of other litigations, as the litigations are still ongoing, quantification of the financial impact is not available at this point in time.

OTHER INFORMATION

6. Dividend information

- a) Current Financial Period Reported on: Any dividend declared for the current financial period reported on?

No Interim Dividend is declared.

- b) Corresponding Period of the Immediately Preceding Financial Year: Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

- c) Date payable:

Not applicable

- d) Book closure date:

Not applicable.

7. If no dividend has been declared/recommendeded, a statement to that effect and reason(s) for the decision.

No interim dividend for the half year ended 30 September 2022 (30 September 2021: Nil) is recommended as the Group intends to conserve cash for working capital use.

OTHER INFORMATION

8. **If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company does not have any IPT mandate.

9. **Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)**

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7H under Rule 720(1) of the Listing Manual of the SGX-ST.

10. **Negative Assurance Confirmation on Interim Financial Results Pursuant to Rule 705(5) of the Listing Manual**

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the condensed interim financial results for the half year ended 30 September 2022 to be false or misleading in any material aspect.