USP

USP Group Limited

STAYING UNITED
FOR A SUSTAINABLE FUTURE

ANNUAL REPORT 2019

CONTENTS

ABOUT USP

The Company was incorporated in Singapore on 21 July 2004 under the name of Unionmet (Singapore) Pte Ltd and listed on the Singapore Exchange Securities Limited in 2007.

The Board came onboard in 2013 to restructure the business and in February 2015, changed its name to USP Group Limited. USP Group is now a diversified group with close to 200 staff and net assets of over S$30 million across 4 countries. Headquarted in Singapore, its core business areas include marine distribution and property development.

CORPORATE MILESTONES

2018

- Made good progress in our boat business by representing international boat brands and working with local boat builders to promote Mercury engines.

2017

- Switch in exclusive distributorship from Yamaha to Mercury Marine, expanding the exclusive markets to include Singapore,West and East Malaysia, Brunei and Indonesia from January 2017; 4 times increase in potential market size. Supratechnic branches increased by 50% to include Kota Kinabalu, Kuching, Batam, and Bali.
- Supratechnic successfully bids for a plot of JTC land in 16 Joo Koon Circle with plans to set up its regional headquarters.
- Entry into an agreement for the joint development and sale of two strata bungalows at Ponggol Seventeenth Avenue plots 21 and 22 with Gadius Assets Pte Ltd.
- Koon Cheng Development has successfully applied to increase the gross plot ratio to 2.5 from the current 1.0 and is in the process of applying with the relevant agencies to strata title its property.

2016

- Acquisition of Supratechnic Group, a regional marine trading company.
- Investment into Property business and acquisition of Koon Cheng Development with Gross Floor Area of 8,560 square metre with rental yield of more than 10%.

2015

- Disposal of Liuzhou Union Zinc Industry Co. Ltd.
- Change of company name to USP Group Limited.
- Acquisition of 49% of SG Support Service Pte. Ltd.

2014

- Diversified its business to include the Property Development Business and the Oil Blending Business.
- Established two wholly-owned subsidiaries in Singapore, namely USP Industrial Pte Ltd ("USPI") and USP Properties Pte Ltd ("USPP").
- Acquisition of 51% of Biofuel Research Pte Ltd.
- Purchase of residential property in Blandford Drive.

2013

- Completed the restructuring exercise of transferring of 100% equity interest of its two wholly-owned subsidiaries in the People's Republic of China, namely, Liuzhou Union Zinc Industry Co., Ltd. and Guangxi Intai Technology Co., Ltd to Unionmet Holdings Limited.

2007

- Unionmet (Singapore) Pte Ltd converted into a public limited company Unionmet (Singapore) Limited and successfully listed on Singapore Exchange Securities Trading Limited.

2004

- Incorporated in Singapore under the name of Unionmet (Singapore) Pte Ltd.

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS

FY2019 marks the second full year of the Group earning revenue from being the exclusive distributor for "Mercury" brand outboard motors for Singapore, Malaysia, Indonesia and Brunei. During the year under review, the Group achieved a full year revenue from continuing operations of $41.0 million as compared to $38.6 million in FY2018. This was an increase of 6.2% largely contributed by our Marine business. Besides looking to build our market share in the territories under Mercury, we will also continue to look for other areas to expand our marine business.

With the marine business firmly anchored as the revenue and growth driver for the business, we decided to review the remaining existing businesses of the Group. Among this, the Group entered into a sales and purchase agreement to divest its 93.09% stake in Biofuel Research for S$5,585,400. This would provide a good return of investment and additional working capital for the Group to reinvest in the marine business if completed.

With the impending propose sale of Biofuel Research in the foreseeable future and downbeat oil prices for the last three years, the Group has decided to exit from the oil business. As a result, previous capital expenditure incurred with respect to the oil business since 2014-2016, has been written off in the current reported year.

Due to the global economic uncertainty and ongoing trade war, the Group has held back its capital investment in the building of a regional headquarters for its Marine business. Likewise, for our Property business, the Group is still in the process of evaluating its options of increasing its gross plot ratio from the current 1.0 to 2.5 for our investment property in Koon Cheng Development Pte Ltd in Woodlands. We have also taken a hard look at our property assets and where necessary, provided the impairments and write-downs.

While the impairments and write-downs for the oil business and the property business resulted in a loss of S$22.5 million for the FY 2019, these are once-off items which does not affect the cashflow. The Group net assets per share still holds at S$0.34 with a debt gearing ratio of 51.8%.

BUSINESS PROSPECTS

Moving forward, the Group sees the Marine business to continue growing despite challenging economic environment. This will not only be driven by the Indonesia and East Malaysia branches opened in recent years but also from our traditional markets in West Malaysia. We are cautiously optimistic moving forward, although it is unclear how the global economic conditions will affect the local markets that we are in. The Group is however looking forward to several government related projects that it has been working on since last year to come onstream for this year.

For the property business, we expect to continue selling our residential properties. In July 2019, the Group has successfully disposed its apartment in the Philippines and in the following month, an Option to Purchase was signed with a potential buyer for our 2 storey development unit in 71 Blandford Drive in Singapore. The Group will continue to market its London property. This will lighten our borrowings and improve our gearing.

Moving forward, the Group continues to explore potential business opportunities that will bring value to our shareholders. In July 2019, we set up Max Financial Pte Ltd to explore opportunities in the fintech sector. The Group will update the shareholders if there are tangible progress and seek shareholder's approval when needed.

APPRECIATION

On behalf of the Board, I would like to extend our appreciation to our customers, suppliers, business associates and bankers for their unwavering support. To the management and staff, thank you for your loyalty, dedication and commitment that have driven the Group to what it is today. My appreciation also goes to my fellow directors on the board for their invaluable counsel and guidance during the past year.

Last but not least, I would like to thank our shareholders and investors for their continued support and confidence in the Group.

ER KWONG WAH
Non Executive Chairman

MS. NAH EE LING

Executive Director / Chief Financial Officer

Ms. Nah was appointed as the Chief Financial Officer of the Company on 31 December 2014 and was appointed as Executive Director on 19 July 2017, and was last re-elected on 29 September 2017. She is responsible for the accounts and financial matters of all subsidiaries within our Group and the review of operations of all departments to ensure effective system procedures are in place.

Ms. Nah has more than 10 years of experience in accounting, financing, corporate and tax advisory. Prior joining the Company, Ms. Nah was a Practice Manager of Tan Leng Cheo & Partners and FTC Corporate & Tax Advisory Pte Ltd.

Ms. Nah is a Chartered Accountant of Singapore (CA Singapore), a Fellow member of the Association of Chartered Certified Accountant and ATP (Income Tax & GST). She graduated from Singapore Polytechnic with Diploma in Accountancy in 2000.

MR. ER KWONG WAH

Non Executive Chairman and Independent Director

Mr Er was appointed as Non Executive Chairman and Independent Director of the Group on 1 August 2019. He is also an Independent Director for several public listed companies including ecoWise Holdings Limited, CFM Holdings Limited, COSCO Shipping International (Singapore) Co., Ltd., and The Place Holdings Limited. A former Permanent Secretary in the Singapore Civil Service, he had served in various ministries before his retirement.

A Colombo plan and Bank of Tokyo Scholar, he obtained a Bachelor of Applied Science (BASc) with Honours in Electrical Engineering at the University of Toronto, Canada, in 1970 and an MBA from the Manchester Business School, university of Manchester in 1978.

MR. YIP MUN FOONG JAMES

Lead Independent Director

Mr. James Yip is the Group's Lead Independent Director and was appointed to the Board on 29 July 2013, and last re-elected on 29 September 2017.

Mr. James Yip has been an experienced banker with over 25 years' experience working for large international financial institutions including Barclays, Amro, Toronto Dominion, First Chicago, Continental, Rabobank and finally as Global Head of Capital Markets & Syndications at Singapore-based Overseas Union Bank. In his banking career, he has been involved in commercial, corporate and investment banking as well as in financings of infrastructure projects in Australia, Indonesia and China. After leaving banking, Mr. James Yip spent two years as general manager of an investment subsidiary of the Changi Airport Group that specialises in airport investments and airport management consulting globally, with a focus in China, India and the Middle East. He was also a consulting advisor to Germany's HSH Nordbank on infrastructure project financings for Asia, with focus in the airport sector. He was until October 2017 a senior advisor to a fund management group helping to raise both equity and debt for an investment management company that was working on the potential listing of a hospitality real estate investment trust in the Singapore Exchange.

Mr. James Yip holds a post-graduate diploma in management studies from the Graduate School of Business, University of Chicago and a post-graduate diploma in financial management from the Stern School of Business Administration, New York University. He is also a pioneer recipient of the executive diploma in directorship jointly awarded by the Singapore Institute of Directors and the Singapore Management University.

Mr. James Yip was an Independent Director of China Essence Group that was listed on the mainboard of the Singapore Exchange. He was also a non-executive Independent Director of Linc Energy Ltd, a Brisbane-based oil producer and Auhua Clean Energy PLC of China, previously listed on the Singapore Exchange mainboard and the Alternative Investment Market (AIM), London respectively.

KEY MANAGEMENT

MR. KAN BRIGHT PAN
Interim CEO

Mr Kan was appointed as the Interim CEO of the Group on 5 December 2018. Mr Kan having close to 30 years of marine related experience is a veteran in the marine business. He joined the Group's marine business since 1989 as a mechanic and got promoted due to his capabilities. Prior to his appointment as the Group Interim CEO, he is the Group's Chief Technical Officer of our marine business and before to that, was the Deputy Managing Director in charge of Supratechnic (M) Sdn Bhd, the Group's principal operating subsidiary. Mr Kan has a degree in Business and Finance.

MARINE BUSINESS

Marine business continued to be our core revenue segment in FY2019, accounting for approximately 85% of our Group's revenue from its continuing business.

Marine Sales grew over 8% or $2.8 million; to $35.0 million as compared to FY2018. This is due to (i) the enlarged market coverage in markets like East Malaysia, Indonesia and Brunei, (ii) existing relationships and market penetration in existing market in West Malaysia, (iii) existing inhouse sales and technical capabilities, (iv) performance of Mercury products and (v) the award of several government contracts to the Group.

The Group is continuing to pursue several significant government contracts which are expected to materialise by next year.

PROPERTY INVESTMENT BUSINESS

The Group has been actively marketing some of its property units so as to enable it to monetize its asset. In September 2018, the Group sold its shophouse in Johor Bahru for approximately S$0.2 million at a net gain of about $0.1 million. As of the date of this report and after the financial year end, the Group has signed an Option to Purchase to dispose its sole development unit in 71 Blandford Drive and also successfully disposed a small condominium unit in Philippines.

In FY2019, the Group wrote down $3.5 million of its investment property value located in Woodlands pursuant to the valuation report done by Savills Valuation on 3 May 2019. The Group also wrote down S$1.0 million in 71 Blandford Drive, being the difference in the carrying value and the subsequent sale price.

OIL BUSINESS

Revenue of Biofuel fell 36.1% during this financial year compared to FYE 2018 and dipped into a loss. This is due to the depressed commodity price of Palm Oil which affected the corresponding prices of Biofuel's product. Biofuel's products are commonly sold at a discount to Palm Oil price. With the outlook generally uncertain, the Group decided to dispose of Biofuel.

The Group has entered into a Sale and Purchase Agreement on 7 August 2019 to dispose whole of its shareholdings in a subsidiary, Biofuel Research Pte. Ltd. for a total cash consideration of $5,585,400.

Due to the depressed oil prices, the Group also decided not to proceed with the manufacture and distribution of ecofuel. This resulted in significant write-offs of S$14.1 million. The Group had previously invested significantly in 3 machines to produce ecofuel in 2014 but had not started production due to sudden crash in oil prices in 2014 and subsequent low oil prices since then. In June 2018, the oil prices recovered. The Group then proceeded with some trial production but the recovery in oil prices was short-lived and dived again in Oct 2018. As a result, the Group decided to exit the business altogether and write-off the investment in the machineries and related deposits.

With the completion of this disposal and write-offs, the Group will be exiting from its oil blending business. Management will hence concentrate all efforts on its Marine and Property business and at the same time, explore potential new business for the Group.

FINANCIAL
REVIEW

REVENUE

Group revenue increased by 6.2% from $38.6 million to S$41.0 million which was largely due to the increase in our marine distribution business. The revenue increase in our marine distribution business offset the sales decline in the instrumentation and calibration services which saw a near to 15% dipped from $2.7 million to $2.3 million due to a change of principle distributor during the reported year.

LOSS FOR THE YEAR

Group posted a net loss before tax of $22.5 million from continuing operations and this was mainly due to asset impairment and write downs on our property, plant and equipment, deposits and investment in quoted securities amounting to $20.7 million as compared to a loss of $1.0 million in FY2018. Further details are explained in the Asset and Liabilities and in the Operational Review.

Had it not for the significant impairment and write downs, the Group would have a positive EBITDA from continuing operations of $2.5 million as compared to $2.0 million in FY2018, an increased of 25%.

ASSETS AND LIABILITIES

Total assets decreased by 19.1% from $111.1 million to $89.9 million, mainly due to the impairment and write downs in the current reported year. The decrease is mainly due to:

	FY 2018	FYE 2019	Difference
Property Investments • 182, 184, 186	$33.5 million	$30.0 million	$ 3.5 million
Woodlands Industrial Park E5 • 71 Blanford Drive	$ 4.4 million	$ 3.4 million	$ 1.0 million
Plant and Equipment and Deposits	$14.1 million	NIL	$14.1 million
Construction In Progress • 16 Joo Koon Circle	$ 2.5 million	$ 1.6 million	$ 0.9 million
Investment in quoted securities • Huan Hsin	$ 1.2 million	Nil	$ 1.2 million
	$53.2 million	**$33.4 million**	**$20.7 million**

Current liabilities increased from $23.8 million to $55.1 million due to the reclassification of approximate $24.7 million of non-current bank loans to current. This reclassification arose due to the breach of certain loan covenant by some subsidiaries as the Company who is the corporate guarantor, did not fulfil the requirement to maintain a minimum consolidated tangible net worth of $40.0 million. On 27 June 2019, the bank has issued a letter accommodating the breach on a one-off basis for the reported year ended 31 March 2019 and as of the date of this report, the Company did not receive any notification by bank to recall its loan. The reclassification of the bank loans are solely performed so as to comply with SFRS(I) 1 on the basis that the Company did not get the bank waiver letter prior to the financial year ended 31 March 2019. As the Company has already received the confirmation from the bank, the Company has classified the current loans back to non-current for Q1 2020 and moving ahead.

CASHFLOW

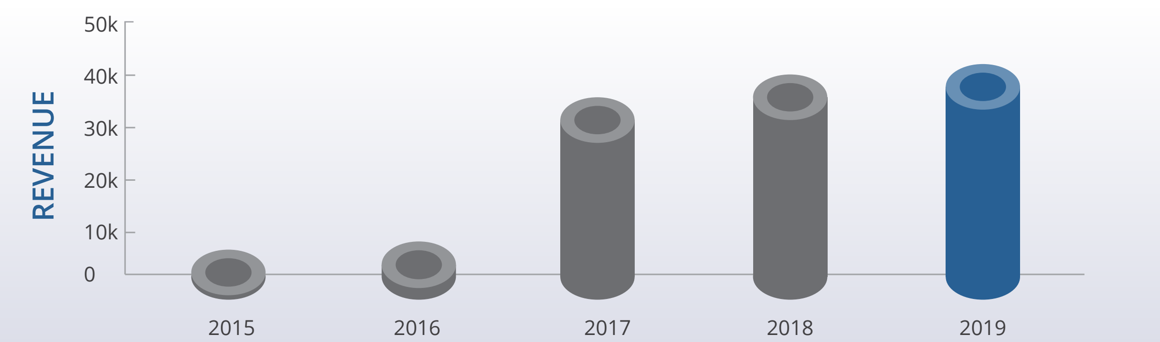
Net cashflow generated from operating activities increased from a loss of $1.0 million in FY2018 to a positive $1.9 million in FY2019 due to the net increased in working capital from its operations.

Net cash used in financing activities in FY2019 was mainly due to interest paid and offset by lower net proceeds from borrowings.

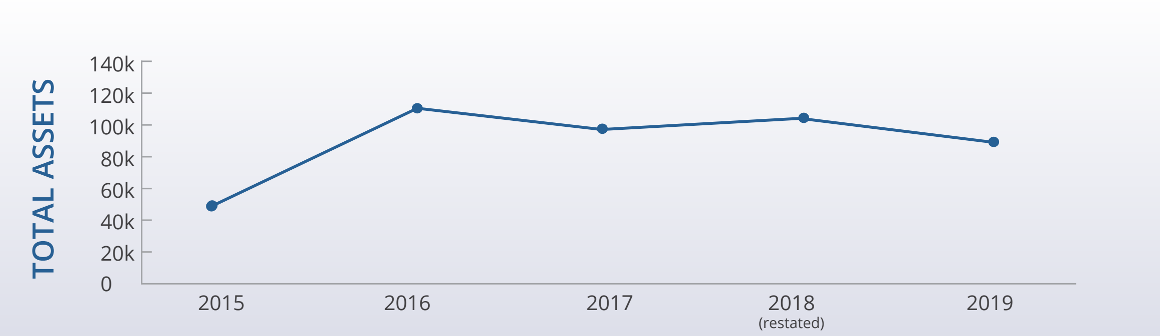
FINANCIAL HIGHLIGHTS

FIVE-YEAR FINANCIAL HIGHLIGHTS
(ALL AMOUNTS IN S$ '000)

Profit and Loss Statement	FY2015	FY2016	FY2017	FY2018 (restated)	FY2019
Revenue	1,311	6,819	36,660	38,642	40,985
Gross Profit	938	2,713	15,879	12,535	13,570
EBITDA before exceptional item from continuing operations	5,012	(10,792)	3,169	2,046	2,512
Profit (Loss) after tax from continuing operations	3,947	3,495	(5,590)	(1,120)	(22,508)



Statement of Financial Position	FY2015	FY2016	FY2017	FY2018 (restated)	FY2019
Current Assets	37,884	37,396	27,372	34,756	39,576
Current Liabilities	5,026	20,286	16,470	23,822	55,071
Total Assets	55,475	116,920	105,458	111,054	89,945
Total Borrowings	5,113	42,790	43,291	47,671	46,601
Net Assets	47,985	59,125	53,607	53,720	30,597
Net Asset Value per Share (cents)	72.70	71.12	56.43	56.07	33.80



CORPORATE INFORMATION

DIRECTORS

Ms Nah Ee Ling
(Executive Director and CFO)

Mr Yip Mun Foong James
(Lead Independent Director)

Mr Er Kwong Wah
(*Non Executive Chairman and Independent Director)*
(appointed on 1 August 2019)

KEY MANAGEMENT

Mr Kan Bright Pan
(Interim CEO, appointed on 5 December 2018)

NOMINATING COMMITTEE

Yip Mun Foong James *(Chairman)*
Mr Er Kwong Wah *(Member)*
Ms Nah Ee Ling *(Member)*

REMUNERATION COMMITTEE

Mr Er Kwong Wah (*Chairman)*
Yip Mun Foong James (*Member)*

COMPANY SECRETARIES

Ms Chiang Wai Ming

REGISTERED OFFICE

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SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Buidling
Singapore 048544

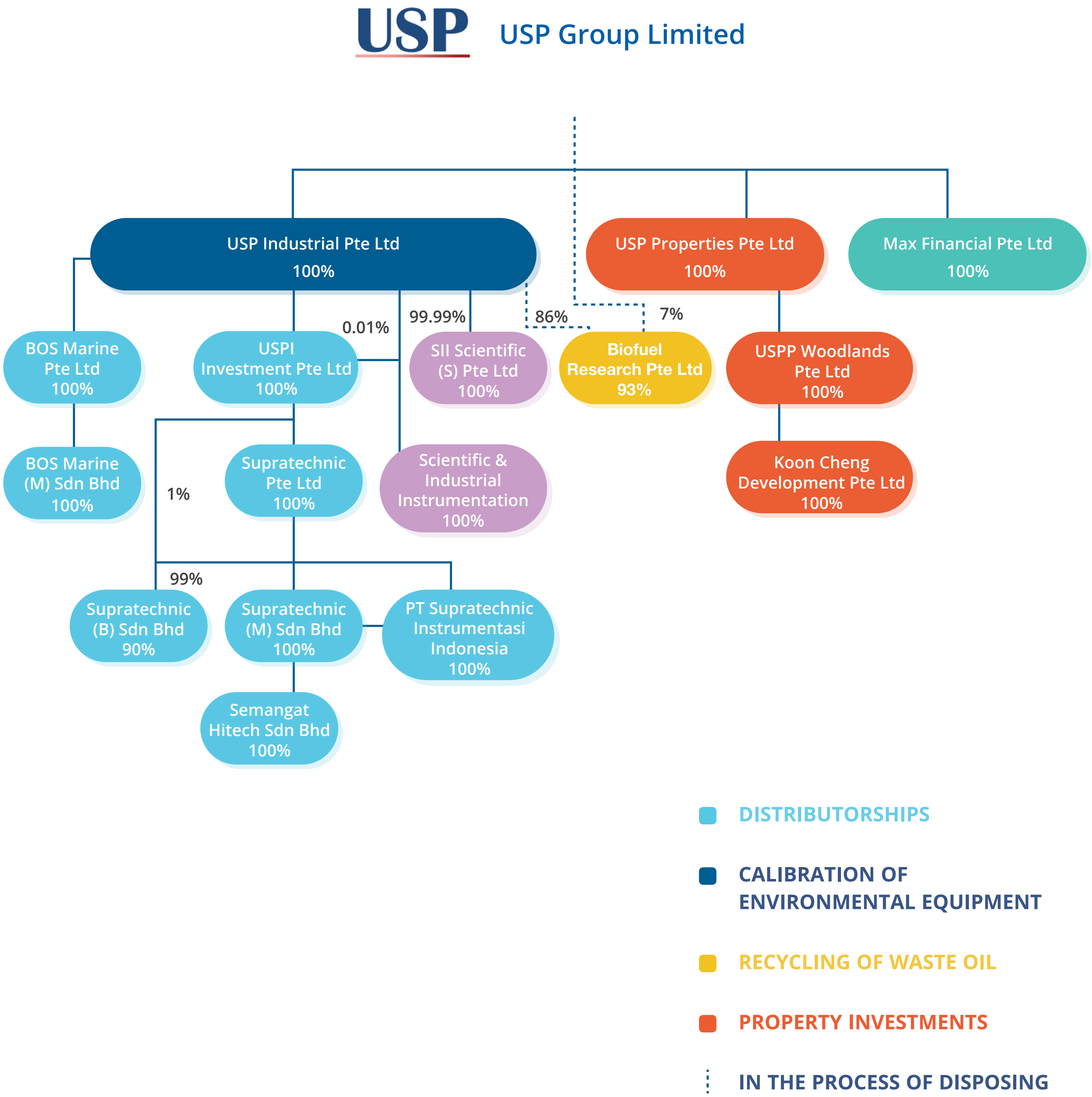
AUDITOR

RSM Chio Lim LLP
Public Accountants and Chartered Accountants
Singapore
Partner-in-charge: Ms Chong Cheng Yuan (since FY2017)

PRINCIPAL BANKERS

United Overseas Bank Limited
Malayan Banking Berhad

CORPORATE STRUCTURE



REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "Board") of USP GROUP LIMITED ("USP Group" or the "Company") is committed to high standards of corporate governance within the Company and its subsidiaries (the "Group") by adopting and complying, where possible, with the principles and guidelines of the Code of Corporate Governance 2012 (the "Code").

The new Code of Corporate Governance 2018 was issued on 6 August 2018 (the "Revised Code"), and will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the Revised Code is not updated into the Company's corporate governance for the financial year ended 31 March 2019.

The Group recognises that good governance processes are essential for enhancing corporate sustainability. This report describes the corporate governance framework and practices of the Group that were in place throughout the financial year ended 31 March 2019 ("FY2019"), with reference to the Code. The Board confirms that it has generally adhered to the principles and guidelines of the Code where they are applicable, relevant and practicable to the Group. Any deviations from the guidelines of the Code or areas of non-compliance have been explained accordingly.

1. BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.*

The Board oversees the Group's overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices. The primary function of the Board is to protect and enhance long-term value and returns for its shareholders.

The Group has adopted internal guidelines setting out matters reserved for the Board's approval. Within these guidelines, the Board approves transactions that exceed certain thresholds. Board's approval is required for other matters *inter alia* corporate restructuring, mergers and acquisitions, investments and divestments, acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptances of bank facilities, annual budget, release of the Group's quarterly and full year's results and interested person transactions.

The Board conducts regular scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly results. Ad-hoc Board meetings are convened as and when they are deemed necessary to address significant transactions and issues that may arise in between the scheduled meetings. These meetings are scheduled in advance to facilitate the individual Director's planning in view of their ongoing commitments. To ensure maximum Board participation, the Constitution of the Company provide for meetings to be held via tele-conferencing, video-conferencing, audio or other similar communications equipment. When a physical Board meeting is not possible, timely communication with members of the Board can be achieved through electronic means or via circulation of written resolutions for approval by the relevant members of the Board or Board committees.

Directors may request explanation, briefing or discussion on any aspect of the Group's operation or business from Management. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

To facilitate effective management and assist in discharging its responsibilities, the Board has delegated specific authorities to the various Board committees, namely the Audit and Risk Management Committee ("ARMC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). Committees or sub-committees may be formed from time to time to address specific areas as and when the need arises.

All Committees are chaired by an independent Director and consist a majority of Non-Executive Directors. Further details of the scope and functions of the various Board committees are set out in this Report.

The Board accepts that while the Board Committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively, the ultimate responsibility for the decisions and actions vest with the Board and the Chairmen of each Board Committees will report back to the Board with their decisions and/or recommendations.

Details of Board and Board Committee Meetings held during FY2019 and the attendance of each Director are summarised in the table below:

	Board	ARMC	NC	RC
Number of Meetings	**4**	**5**	**1**	**1**
Li Hua^	2	2*	–	–
Nah Ee Ling	4	5*	1*	1*
Yip Mun Foong James	4	5	1	1
Goh Chong Theng^^	4	5	1	1
Weng Huixin^^^	–	–	–	–
Wong Peng Wai#	1	1*	–	–

*Attendance at meetings that were held on a "By Invitation" basis
^ Resigned on 28 November 2018
^^ Resigned on 15 June 2019
^^^ Resigned on 11 April 2019
# Appointed on 2 January 2019 and resigned on 6 August 2019

The Group will consider appropriate training programmes for its Directors to equip them with the relevant knowledge, where required. Directors are kept informed of the relevant new laws, regulations and changing commercial risks, from time to time. Relevant updates, news releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("ACRA") will also be circulated to the Board for information.

Newly appointed Directors would be briefed on the business activities and the strategic direction and policies of the Group. Directors also have the opportunity to meet with Management to gain a better understanding of the Group's business operations. Directors who do not have prior experience or are not familiar with the duties and obligations required of a listed company in Singapore, will undergo the necessary training and briefing.

The Company will be responsible for arranging and funding the training of Directors.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

In FY2019, the Board had six Directors, one-third of whom are Independent Directors. The composition of the Board complies with the Code's guideline that Independent Directors make up at least one-third of the Board as follows:

	Name of Director	Position
1.	Goh Chong Theng*	Independent Non-Executive Chairman
2.	Li Hua**	Executive Chairman and Chief Executive Officer
3.	Nah Ee Ling	Executive Director and Chief Financial Officer
4.	Weng Huixin***	Non-Executive and Non-Independent Director
5.	Yip Mun Foong James	Lead Independent Director
6.	Wong Peng Wai#	Independent Director

* Redesigned to Independent Non-Executive Chairman on 13 November 2018 and resigned on 15 June 2019
** Resigned on 28 November 2018
*** Resigned on 11 April 2019
# Appointed on 2 January 2019 and resigned on 6 August 2019

As at the date of this Annual Report, the Board comprises of:

	Name of Director	Position
1.	Er Kwong Wah	Independent Non-Executive Chairman
2.	Nah Ee Ling	Executive Director
3	Yip Mun Foong James	Lead Independent Director

The size and composition of the Board are reviewed on an annual basis by the NC to ensure that there is an appropriate mix of expertise and experience, and collectively possesses the relevant and necessary skills sets and core competencies for effective decision-making which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The NC also strives to ensure that the size of the Board is conducive to discussions and facilitates decision-making.

As a Group, the members of the Board bring with them a broad range of expertise in areas such as accounting, finance, investment, business, industrial and enterprise management experience as well as familiarity with regulatory requirements. Each Director has been appointed based on the strength of his calibre and experience. The diversity of the Directors' experience allows meaningful exchange of ideas and views in the development of the Group strategy and performance of its business.

The profiles of the Directors are set out on page 3 of this Annual Report.

The Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business and enable the Board to make informed and balanced decisions. When reviewing Management proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

Director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Group, is considered to be independent.

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a Director is independent, bearing in mind the guidelines set forth in the Code and any other salient factor which would render a Director to be deemed not independent. The NC has reviewed, determined and confirmed the independence of the Independent Directors. The NC is of the opinion that the Board is able to exercise objective judgement on corporate affairs independently and no individual or small group of individuals dominates the Board's decision-making process.

The Company is in the process of identifying a suitable Independent Director following the resignation of Mr Wong Peng Wai on 6 August 2019.

There is no Independent Director who has served on the Board beyond nine years from the date of his first appointment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Goh Chong Theng was appointed as the Company's Independent Non-Executive Chairman on 13 November 2018. He assumes responsibility for the smooth functioning of the Board and ensures timely flow of information between management and the Board, sets agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues, promotes a culture of openness and debate at the Board and promotes high standards of corporate governance.

Mr Kan Bright Pan was appointed as interim CEO on 5 December 2018. He is responsible for running the day-to-day operations of the Marine sector of the Group, ensures implementation of policies and strategy across the Group as set by the Board, manages the management team, and leads the development of the Group's future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing business.

The Chairman of the Board and the CEO are two separate persons to ensure an appropriate balance of power and authority and greater capacity of the Board for independent decision.

Mr Er Kwong Wah was appointed as Independent Non-Executive Chairman on 1 August 2019 in place of Mr Goh Chong Theng who ceased as a Director on 15 June 2019.

Notwithstanding the Board's intention to identify another Independent Director to join the Board, there is a sufficiently strong independent element on the Board to enable independent exercise of objective judgement on affairs and operations of the Group by members of the Board, taking into account factors such as the number of Independent Directors on the Board as well as the contributions made by each member at meetings which relate to the affairs and operations of the Group. The Board is satisfied that a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should represent a considerable concentration of power.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC is regulated by a set of written terms of reference. The majority, including the Chairman, are independent. In FY2019, the NC members were:

(a) Yip Mun Foong James (Chairman)

(b) Wong Peng Wai (resigned as Director on 6 August 2019)

(c) Goh Chong Theng (resigned as Director on 15 June 2019)

(d) Li Hua (resigned as Director on 28 November 2018)

The appointment of Mr Er Kwong Wah effective 1 August 2019 as an Independent Director and a member of the NC was announced on 25 July 2019.

Consequence to the above and with effect from 6 August 2019, the NC comprises of:-

(a) Yip Mun Foong James (Chairman)

(b) Er Kwong Wah

(c) Nah Ee Ling

The principal functions of the NC are as follows:

(a) review and recommend to the Board the structure, size and composition of the Board and Board committees;

(b) determine the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment and re-appointment to the Board;

(c) review and make recommendations to the Board on all Board appointments, including nomination of retiring Directors and those appointed during the year standing for re-election at the Company's annual general meeting, having regard to the Director's contribution and performance;

(d) ensure all Directors submit themselves for re-election at regular intervals;

(e) review and determine annually the independence of the Directors;

(f) review and evaluate whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations;

(g) evaluate Board's performance as a whole taking into consideration the contributions of each Director to the effectiveness of the Board;

(h) review succession plans, in particular, the Chairman and CEO; and

(i) oversee the induction, orientation and training for any new and existing Directors.

The NC had adopted a process for selection and appointment of new Directors which provides the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience and assessment of candidates' suitability.

The curriculum vitae and other particulars/documents of the nominee or candidate will be reviewed by the NC, *inter alia*, his/her qualifications, business and related experience, commitment, ability to contribute to the Board, such other qualities and attributes that may be required by the Board, before making its recommendation to the Board.

The Company will provide Service Agreements to newly appointed Executive Directors setting out their terms of office and terms of appointment whereas newly appointed Non-Executive Directors will be provided with letters of appointment, setting out the Directors' duties and obligations and terms of appointment.

The NC meets at least once a year.

Pursuant to Regulation 89 of the Company's Constitution, one-third of the Board of Directors is to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("AGM"). In addition, Regulation 88 of the Company's Constitution provides that a newly appointed Director must retire and submit himself/herself for re-election at the next AGM following his/her appointment, thereafter, he/she is subject to re-election at least once every 3 years.

The NC recommended to the Board that Ms Nah Ee Ling (retiring pursuant to Regulation 89 of the Company's Constitution) and Mr Er Kwong Wah (retiring pursuant to Regulation 88 of the Company's Constitution), be nominated for re-election at the forthcoming AGM.

In making the recommendation for nomination of Ms Nah Ee Ling and Mr Er Kwong Wah, the NC had given regard to the results of the Board assessment in respect of their competencies in fulfilling their responsibilities as Director to the Board.

Each member of the NC shall abstain from voting on any resolutions and/or participating in deliberations in respect of their re-election as a Director.

The NC adopts the Code's definition of an Independent Director and guidelines as to relationships in determining the independence of a Director. In addition, the NC requires each Non-Executive Director to state whether he/she considers himself/herself to be independent despite having any of the relationships identified in the Code which would deem him/her not to be independent, if any.

The NC has reviewed the independence of the Board members and has determined that Mr Yip Mun Foong James and Mr Er Kwong Wah (appointed on 1 August 2019) are independent and free from any of the relationships outlined in the Code. None of the Independent Directors on the Board are related and do not have any relationships with the Company or its related companies or its officers who could interfere or to be reasonably perceived to interfere with the exercise of their independent judgments.

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Group. The NC, having considered the Non-Executive Directors' confirmations their attendance and contributions at meetings of the Board and Board Committees, is of the view that such multiple board representations do not hinder the Directors from carrying out their duties in the Company. The Board and the NC are also satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company.

There is no alternate Director on the Board.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and contribution by each director to the effectiveness of the Board.

The NC has adopted a formal system of assessing the performance and effectiveness of the Board as a whole. The NC believes that it is more appropriate to assess the Board as a whole, rather than assessing individual Director, bearing in mind that each member of the Board contributes in different ways to the effectiveness of the Board.

A Board performance evaluation was carried out during the financial period to assess and evaluate the Board's size, composition, expertise, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities and standards of conduct of the Board members.

As part of the process, the Directors have to complete the Board Evaluation Questionnaire which is then collated by the Company Secretary and presented to the NC. The NC will also discuss the feedback with the Board members.

For FY2019, the NC was generally satisfied with the Board evaluation results, which indicated areas for improvement with no significant problems being identified. The NC has discussed these results with the Board and the Board has agreed to work on these areas for improvement. The NC will continue to review its procedure and effectiveness from time to time.

The Board has not engaged any external facilitator in conducting the assessment of Board performance. Where relevant, the NC will consider such engagement.

The NC was of the view that given the small Board size and the cohesiveness of the Board members and that the same Independent Directors sit in the various Board Committees, there would not be any value add in having evaluations of the Board Committees.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board is furnished with information concerning the Group to enable them to be fully cognisant of the conditions and other factors affecting the Group's operation and understand the decisions and actions of the Group's management.

The agenda for Board meetings is prepared in consultation with the Chairman. As a general rule, detailed Board papers are prepared for each meeting and are normally circulated in advance prior to each meeting. The Board papers include sufficient background and information from the Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings.

All Board members have separate and independent access to the advice and services of the Company Secretaries, who are responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. All Board members also have separate and independent access to the senior management of the Company and the Group at all times.

Board members are aware that they, whether as a group or individually, in the furtherance of their duties, can take independent professional advice, if necessary, at the Company's expense.

The Company Secretary attends the Board and Board Committees meetings of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with.

The appointment and removal of the Company Secretary shall be reviewed by the Board.

2. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC is regulated by a set of written terms of reference. The majority including the Chairman, are independent. In FY2019, the RC members were:

(a) Yip Mun Foong James (Chairman)

(b) Goh Chong Theng (Resigned as Director on 15 June 2019)

(c) Weng Huixin (Resigned as Director on 11 April 2019)

The appointment of Mr Er Kwong Wah effective 1 August 2019 as an Independent Director and a member of the RC was announced on 25 July 2019. Mr Wong Peng Wai resigned as an Independent Director on 6 August 2019.

Consequence to the above and with effect from 6 August 2019, the RC shall comprise:-

(a) Yip Mun Foong James (Chairman)

(b) Er Kwong Wah

The RC meets at least once annually.

The principal functions of the RC are as follows:

(a) recommend to the Board a framework of remuneration for the Board and key management personnel of the Group with the aim of building a capable and committed Board and management team through competitive compensation which is sufficient to attract, retain and motivate key management personnel of the required calibre to run the Company effectively;

(b) consider what compensation in the Executive Directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance.

(c) review and recommend Directors' fees for Non-Executive Directors, taking into account factors such as their effort and time spent, and their responsibilities; and

(d) review whether the Executive Directors and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time. If required, the RC will seek expert advice inside or outside the Company on remuneration of all Directors.

The RC is of the view that the current remuneration of the Non-Executive Directors is appropriate, taking into account factors such as effort and time spent and responsibilities of the Directors. Other than the Directors' fees, the Non-Executive Directors do not receive any other forms of remuneration from the Company.

The RC had recommended to the Board an amount of S$200,000 as Directors' fees for the financial year ending 31 March 2020, payable quarterly in arrears.

No Director is involved in deciding his own remuneration. Each of the RC members, abstained from deliberation and voting in respect of their own remuneration.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In reviewing and determining the remuneration packages of the Executive Director and key management personnel, the RC shall consider the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the responsibilities, skills, expertise and contribution to the Company's performance and if the remuneration packages are competitive and sufficient to assure that the Company is able to attract and retain the best available executive talent. The RC makes its recommendation to the Board which has the discretion to accept or vary the recommendations.

The remuneration structure of the Executive Director and key management personnel includes a direct performance-based variable component. This is in line with both market and best practices of structuring a proportion of key management personnel's remuneration to be directly linked to corporate and individual performance. As the Executive Director and key management personnel of the Group are rewarded based on their achievement of key performance indicators and the actual results of the Group, and not any other assigned incentives, the "claw back" provisions in their employment contracts may therefore not be relevant or appropriate. The RC will when appropriate, review the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

The RC has access to external expert advice with regard to remuneration matters, if required. During the financial year, the RC did not require the service of an external remuneration consultant.

DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Directors

Guideline 9.2 of the Code recommends companies to fully disclose the name and remuneration of each Director and the CEO, the Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of their remuneration due to the competitiveness of the industry for key talent. As such, the Board has deviated from complying with the above recommendation and has provided below a breakdown showing the level and mix of remuneration of each Director and CEO in bands of S$250,000 for FY2019:-

Remuneration Bands and Name of Director and CEO	Fees %	Salary %	Bonus %	Other benefits %	Total %
Below S$250,000					
Yip Mun Foong James	100	–	–	–	100
Weng Huixin**	100	–	–	–	100
Goh Chong Theng***	100	–	–	–	100
Wong Peng Wai^*	100	–	–	–	100
Li Hua*	–	91	–	9	100
Nah Ee Ling	–	87	–	13	100
Kan Bright Pan^	–	78	–	22	100

* Resigned on 28 November 2018
** Resigned on 11 April 2019
*** Resigned on 15 June 2019
^ Appointed as interim CEO on 5 December 2018
^* Appointed on 2 January 2019 and resigned on 6 August 2019

Key Management Personnel

Guideline 9.3 of the Code recommends that companies should name and disclose the remuneration of at least the top five key management personnel (who are not Directors or the CEO) in bands of S$250,000. In addition, the companies should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of the said top five top key management personnel.

Except for Mr Kan, there were no other key management personnel who are not Directors or the CEO for the Group. The Directors are assisted by the senior staff of the respective business segments for day-to-day business operation.

There were no employees of the Group who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during FY2019.

Performance Share Plan ("PSP")

The Group has a PSP in place, which was approved by the shareholders of the Company at an Extraordinary General Meeting on 27 February 2015. The objectives of the PSP are as follows:

(a) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;

(b) to provide an opportunity for participants of the PSP to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;

(c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and

(d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

The RC is responsible for the administration of the PSP.

There were no shares awarded under the PSP during FY2019. Details of PSP can be found on Page 29 under the Directors' Statement of this Annual Report.

3. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board provides shareholders, a balanced and understandable assessment of the Group's performance, position and prospects through the presentation of the annual financial statements and results announcements on a quarterly basis.

The Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a timely basis in order for the Board to discharge its duties effectively. In addition, all relevant information on budgets, forecasts, monthly accounts, material events and transactions complete with background and explanations are circulated to Directors as and when they are available on a quarterly basis.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Company has set up an in-house internal audit function towards the end of FY2019. The internal auditor reports to the ARMC directly and is independent from the day-to-day operations of the Group. The role of the internal and external auditors together with Management, is to assist the ARMC in its review of the adequacy of the internal controls, through regular evaluation of the Group's internal controls, financial and accounting policies and risk management policies and procedures.

The internal auditor will be presenting his internal audit plan to be reviewed and approved by ARMC and will only commence internal audit work for the Group in the financial year ending 2020.

During FY2019, the Board was assisted by the ARMC in providing risk management oversight while the ownership of day-to-day management and monitoring of existing internal controls system are delegated to Management.

Based on the internal control polices and procedures established and maintained by the Group, work performed by the external auditor and reviews performed by the Board and the management, the Board is of the view that the internal controls and risk management systems are effective and adequatefor FY2019. Non-compliance and recommendations for implementation are reported to the ARMC. The ARMC will review the external auditors' comments and ensure that there are adequate internal controls in the Group and follow-up actions are implemented.

Management regularly reviews the Company's business and operational activities to identify areas of significant business, financial, compliance and information technology controls risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the ARMC and Board.

Based on the reviews conducted by Management, Management's assurance on the state of the Group's internal controls, and the work performed by the external auditors, the Board, with the concurrence of the ARMC, is of the opinion that the internal controls and risk management systems in place are adequate and effective in addressing the Group's financial, operational, compliance and information technology controls risks in its current business environment. The ARMC will ensure that a review of such effectiveness and adequacy is conducted at least once annually.

The Board had received written assurance from the Group's CEO and CFO on the adequacy and effectiveness of the Group's risk management and internal controls systems, and that the Group's financial records have been properly maintained and the financial statements give a true and fair view of its operations and finances.

ARMC

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The ARMC is regulated by a set of written terms of reference. The majority including the Chairman, are independent. In FY2019, the ARMC members were:

(a) Goh Chong Theng (Chairman) (resigned on 15 June 2019)

(b) Yip Mun Foong James (assumed Chairman of ARMC on 15 June but subsequently relinquished it to Mr Er on 1 Aug 2019)

(c) Weng Huixin (resigned on 11 April 2019)

The appointment of Mr Er Kwong Wah effective 1 August 2019 as an Independent Director and Chairman of the ARMC was announced on 25 July 2019. Mr Wong Peng Wai resigned as an Independent Director on 6 August 2019.

Consequence to the above and with effect from 6 August 2019, the ARMC shall comprise:-

(a) Er Kwong Wah (Chairman)

(b) Yip Mun Foong James

The Board is looking to identify an additional Independent Director who will also join the ARMC.

The ARMC members bring with them managerial and professional expertise in the financial and business management fields and are appropriately qualified to discharge their responsibilities.

The ARMC meets at least four times a year and as and when deemed appropriate to carry out its functions.

The ARMC carries out the functions set out in the Code and the Singapore Companies Act, Cap. 50. The ARMC also monitors proposed changes in accounting policies; reviews the internal audit functions and adequacy of the Group's internal controls; reviews interested person transactions; and discusses accounting implications of major transactions including significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance.

In addition, the ARMC reviews with the external auditors the audit plan, including the nature and scope of the audit before the audit commences, their evaluation of the system of internal controls, their audit report and their management letter and Management's response. To do so, the ARMC meets regularly with the Group's external auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of controls is maintained in the Group. The ARMC has kept abreast of accounting standards and issues that could potentially impact financial reporting through regular updates and advice from its external auditors.

The Group has put in place a Whistle-Blowing Programme whereby staff and members of the public may in confidence, raise their concerns about possible improprieties in matters of financial reporting or other matters. The objective of the Programme is to ensure that process is in place, for the independent investigation of such concerns and for appropriate follow-up actions to be taken. There were no reports of whistle blowing received during FY2019.

The ARMC has full access to and cooperation by Management and has full discretion to invite any executive Director or executive officer to attend its meetings so that they are better able to give a complete account of the issues being reviewed and answer questions from the ARMC. Where there are matters of potential sensitivity, Management will be asked to excuse themselves from the meeting so that the ARMC may discuss matters openly.

For FY2019, the ARMC has:

(i) held five meetings in a year with Management.

(ii) reviewed the annual audit plan, including the nature and scope of the external audits before commencement of these audits.

(iii) reviewed and approved the consolidated statement of comprehensive income statements of financial position, statements of changes in equity, consolidated cash flow. During the process, the ARMC reviewed the key areas of critical judgements and key estimates applied for key financial issues including plant and machinery not in use and related deposit, net realizable value of inventories, measurement of impairment of receivables from subsidiaries, measurement of impairment of investment in subsidiaries, useful lives of property, plant and equipment, leasehold properties and redevelopment project, critical accounting policies and any other significant matters that might affect the disclosures in the financial statements. The ARMC also considered the report from the external auditors, including their findings on the significant risks and audit focus areas. Significant matters that were discussed with Management and the external auditors have been included as Key Audit Matters ("KAMs") in the audit report for FY2019 in pages 33 to 38 of this Annual Report.

    In assessing each KAM, the ARMC took into consideration the approach and methodology applied in the valuation of assets, as well as the reasonableness of the estimates and key assumption used. In addition to the views from the external auditors, subject matter experts, such as independent valuers, were consulted where necessary. The ARMC concluded that Management's accounting treatment and estimates in each of the KAMs were appropriate.

(iv) reviewed the risk factors and mitigation controls compiled by Management.

(v) reviewed the interested person transactions.

(vi) met up with the Group's external auditors during the year under review without the presence of Management to discuss their findings set out in their respective reports and ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management. The external auditors had confirmed that they had access to and received full cooperation and assistance from Management and no restrictions were placed on the scope of audits.

(vii) conducted a review of the audit and non-audit services provided by the external auditors and is satisfied that the nature and extent of audit services will not prejudice the independence and objectivity of the external auditors as well as the cost effectiveness of the audit before confirming their re-nomination. The audit fees of S$132,100 for FY2019 were approved by ARMC. There was no non-audit fee was paid/ payable to the external auditors of the Company during the year under review. The external auditors had also confirmed their independence in this respect.

(viii) recommended the re-appointment of RSM Chio Lim LLP, Public Accountants and Chartered Accountants, Singapore at the forthcoming AGM.

(ix) confirmed that the Company had complied with Rules 712 and 715 of the SGX-ST Listing Manual. The ARMC was satisfied that the resources and experience of RSM Chio Lim LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority, the audit engagement partner and his team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, operations and nature of the Group. The accounts of the Company and its subsidiaries are audited by RSM Chio Lim LLP except for those as disclosed in Note 17 of the Notes to the Financial Statements. The Group's subsidiaries are disclosed under Note 17 of the Notes to the Financial Statements on page 73 of this Annual Report.

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The systems that are in place are intended to provide reasonable but not absolute assurance against material misstatements or loss, and including the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation and best practices, and the containment of business risks. The effectiveness of the internal financial control systems and procedures at present are monitored by Management.

As the in-house internal audit function was set up towards the end of FY2019, the internal auditor will only commence internal audit work for the Group in the financial year ending 2020.

During FY2019, the ARMC enquired and relied on reports from Management and external auditors on any material non-compliance and internal control weakness. The ARMC has reviewed with the external auditors their findings of the existence and adequacy of material internal control procedures as part of their audit for the financial year under review. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the ARMC. Timely and proper implementation of all required corrective, preventative or improvement measures is closely monitored.

Based on various controls put in place and maintained by the Management and the review and work performed by the external auditors, Management, the various Board Committees, the Board, with the concurrence of the ARMC, is of the view that there are adequate and effective internal controls of the Group including financial, operational, compliance and information technology controls as at 31 March 2019.

4. SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

SHAREHOLDERS' RIGHTS, COMMUNICATION WITH SHAREHOLDERS AND CONDUCT OF SHAREHOLDERS' MEETINGS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

In line with the continuous disclosure obligations pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, it is a policy of the Board that all shareholders should be informed of all material developments that impact the Group on a timely basis.

The Group communicates pertinent information to its shareholders on a regular and timely basis through:

- SGXNet announcements on major developments of the Group;
- Financial statements containing a summary of the financial information and affairs of the Group for the relevant quarters and full year via SGXNet;
- Annual reports and circulars that are issued to all shareholders;
- Notices and explanatory notes for general meetings;
- Shareholders can access information on the Group's website www.uspgroup.com.sg. The website provides, *inter alia*, all publicly disclosed financial information, corporate announcements, annual reports, and profile of the Group.

The Company has appointed an external investor relations firm to facilitate the communication with all stakeholders (shareholders, analysts and media) on a regular basis, to attend to their queries or concerns as well as to keep investors apprised of the Group's corporate developments and financial performance.

Shareholders are accorded the opportunity to raise relevant questions and to communicate their views at general meetings. Shareholders are informed of meetings through notices which are accompanied by the annual reports or circulars sent to them.

Dividend

In considering the declaration of dividends, the Company will have to take into consideration of the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. For FY2019, the Directors do not recommend payment of dividends as the Group incurred a net loss.

The Notice of the AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 calendar days before the meeting. Each item on special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Constitution allows shareholders of the Company to appoint one or two proxies to attend and vote at the general meetings on his/her behalf. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" are allowed to attend and participate in general meeting without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and Central Provident Fund Board ("CPF") which purchases shares on behalf of the CPF investors.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to voice their views to, raise issues to and seek clarification from the Board of Directors or Management regarding the Company and its operations.

The Chairmen of the ARMC, NC and RC are normally available at the Company's AGM to address shareholders' questions relating to the work of these Committees. The Company's external auditors are also be invited to attend the AGM and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

The Company with the help of the Company Secretary prepares minutes of general meetings that include substantial and relevant comments relating to the agenda of the meetings and responses from the Board and Management and such minutes, where relevant will be made available to shareholders upon their request.

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast and against each resolution and the respective percentages for general meetings. Electronic poll voting may be efficient in terms of speed but may not be cost effective. In this respect, the Group did not adopt electronic poll voting.

5. SECURITIES TRANSACTIONS

The Group has adopted an internal compliance code of conduct to provide guidance to its officers regarding dealings in the Company's securities and implication of Insider Trading in compliance with Rule 1207(19) of the SGX-ST Listing Manual.

The Group prohibits the Directors and employees to trade in the Company's securities, during the period beginning 1 month before the date of the announcement of the full year results and 2 weeks before the date of announcement of interim results and ending on the date of the announcement of the relevant results. Directors and employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group. The internal compliance code also discourages trading on short-term considerations.

The Group confirmed that it has adhered to its policy for securities transactions for FY2019.

6. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions ("IPTs"). All IPTs are subject to review by the ARMC at its quarterly meetings.

When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

During FY2019, there were no IPTs entered into by the Company.

The Group does not have a shareholders' mandate for IPTs.

7. MATERIAL CONTRACTS

There were no material contracts of the Company, or its subsidiary involving the interests of the Chairman, CEO, any Director or controlling shareholder except for the service agreements entered into between the Company and the Executive Director.

Additional Information on Directors seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST

Ms Nah Ee Ling and Mr Er Kwong Wah are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 27 September 2019 ("AGM") under Ordinary Resolutions 2 and 3 as set out in the Notice of AGM dated 13 September 2019 (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name of Director	Nah Ee Ling	Er Kwong Wah
Date of Appointment	19 July 2017	1 August 2019
Date of Last Re-Appointment	19 October 2017	–
Age	40	73
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	N.A.	N.A.
Whether appointment is executive, and if so, the area of responsibility	Yes. She is responsible for the financial reporting for USP Group.	No.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director/ Chief Financial Officer	Independent Non-Executive Chairman and Director, Chairman of ARMC, and member of NC and RC.
Professional qualifications	Please refer to Director's Profile on page 3 of Annual Report.	Please refer to Director's Profile on page 3 of Annual Report.
Working experience and occupation(s) during the past 10 years	Please refer to Director's Profile on page 3 of Annual Report.	Please refer to Director's Profile on page 3 of Annual Report.
Shareholding interest in the listed issuer and its subsidiaries	300,000 ordinary shares in the Company.	Nil
Any relationship (including immediate family relationship) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Not applicable.	Not applicable.
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

REPORT ON CORPORATE GOVERNANCE

Past (for the last 5 years)	N.A	1. Firstlink Investments Corporation Limited 2. Glopeak Land Pte Ltd 3. Singatronics Investment Pte Ltd 4. Firstlink Energy Pte Ltd 5. Glopeak Properties and Hotels Pte Ltd 6. Exquisite Concierge Pte Ltd 7. Infinity Capital Partners (S) Pte Ltd 8. GKE Corporation Limited 9. East Asia Institute Management Pte Ltd 10. China Environment Ltd 11. Firstlink Capital Pte Ltd 12. Firstlink Investment Advisory Pte Ltd 13. China Dongyuan Environment Pte Ltd 14. Keluarga International Pte Ltd 15. Success Dragon International Holdings Ltd 16. Unidux Electronics Ltd 17. Hartawan Holdings Ltd 18. China Oilfield Technology Services Group Ltd 19. Raffles Institution (S) Pte Ltd 20. Raffles Junior College (S) Pte Ltd 21. Tsao Foundation
Present	Biofuel Research Pte Ltd	1. CFM Holdings Limited 2. Chaswood Resources Holdings Ltd 3. Cosco Shipping International (Singapore) Co., Ltd 4. Ecowise Holdings Limited 5. The Place Holdings Limited 6. The Thai Prime Fund Limited (delisted) 7. Chinese Essence Group Ltd (delisted) 8. China Sky Chemical Fiber Co., Ltd (under judicial management)

The general statutory disclosures (items (a) to (k) of Appendix 7.4.1) of the Directors are as follows: There is no change in the information of Ms Nah Ee Ling as announced on 19 July 2017 and Mr Er Kwong Wah as announced on 25 July 2019.		
Prior Experience as a Director of a Listed Company on the Exchange		
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 March 2019.

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and

(b) at the date of the statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

The directors of the company in office at the date of this statement are:

Nah Ee Ling
Yip Mun Foong, James
Er Kwong Wah (appointed on 1 August 2019)

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year were not interested in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act") except as follows:

Name of directors and company in which interests are held	Direct interest: At beginning of the reporting year or date of appointment, if later	Direct interest: At end of the reporting year	Deemed interest: At beginning of the reporting year or date of appointment, if later	Deemed interest: At end of the reporting year
		No of shares of no par values		
The company				
Nah Ee Ling	1,811,632	300,000	–	–
Yip Mun Fong, James	156,250	156,250	–	–

The directors' interest as at 21 April 2019 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate except for the options rights and other rights mentioned below.

5. Options

During the reporting year, no option to take up unissued shares of the company or other body corporate in the group was granted and there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

Performance Share Plan

The company has a Performance Share Plan (the "PSP") that is administered by its remuneration committee ("RC") comprising two independent directors, Yip Mun Foong, James (Chairman) and Er Kwong Wah.

The PSP was approved by members of the company at an extraordinary general meeting held on 27 February 2015. It was established to increase the company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees, executive directors and non-executive directors to achieve increased performance and to foster a greater ownership culture amongst key senior management, senior executives and non-executive directors.

Awards represent the right of a participant to receive fully paid shares free of charge, provided that certain prescribed performance targets (if any) are met at the expiry of the prescribed performance period. Executive directors and employees of the group and its associated companies who have attained the age of twenty-one (21) years and hold such rank as may be designated by the RC from time to time ("group executives"), and non-executive directors (including the independent directors) of the group, shall be eligible to participate in the PSP. Controlling shareholders of the company or associates of such controlling shareholders are eligible to participate in the PSP if their participation and awards are approved by independent shareholders in separate resolutions for each such person and for each such award.

The selection of a participant and the number of shares which are the subject of each award to be granted to a participant in accordance with the PSP shall be determined at the absolute discretion of the RC, which shall take into account criteria such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, the participant's contribution to the success and development of the group and, if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

5. Options (cont'd)

Performance Share Plan (cont'd)

Awards granted under the PSP are principally performance-based with performance targets to be set over a performance period and may vary from one performance period to another performance period and from one grant to another grant. Performance targets set by the RC are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. Such performance targets and performance periods will be set according to the specific roles of each participant, and may differ from participant to participant. The performance targets are stretched targets aimed at sustaining long-term growth. These targets will be tied in with our company's corporate key performance indicators. The RC has the discretion to impose a further vesting period after the performance period to encourage participants to continue serving the group for a further period of time.

As soon as reasonably practicable after the end of each performance period, the RC shall review the performance targets specified in respect of each award and determine at its discretion whether they have been satisfied and, if so, the extent to which they have been satisfied, and provided that the relevant participant has continued to be a group executive or a non–executive director up to the end of the performance period, shall release to the relevant participant all or part (as determined by the RC at its discretion in the case where the RC has determined that there has been partial satisfaction of the performance target) of the shares to which the relevant award relates in accordance with the release schedule specified in respect of the relevant award.

The RC shall have the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the RC shall have the right to make computational adjustments to the audited results of the company or the group, to take into account such factors as to the RC may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the RC decides that a changed performance target would be a fairer measure of performance.

The total number of shares which may be issued or transferred pursuant to awards granted under the PSP, when aggregated with the aggregated number of shares over which options are granted under any other share option scheme of the company, shall not exceed 15% of the total number of issued shares (excluding treasury shares) from time to time.

The PSP shall continue in force at the discretion of the RC, subject to a maximum period of 10 years commencing from 27 February 2015, provided always that the PSP may continue beyond the above stipulated period with the approval of shareholders of the company in general meeting and of any relevant authorities which may then be required.

The number of shares awarded to each participant are based on the achievement of certain prescribed performance targets.

5. Options (cont'd)

Performance Share Plan (cont'd)

As at 31 March 2019, the company has not granted any performance share awards under the Performance Share Plan. Below are details of the share awards previously granted to the directors of the company:

Directors	Shares award granted during the financial year	Aggregate shares granted since commencement of the share award to the end of financial year	Aggregate shares exercised since commencement of the share award to the end of financial year	Aggregate shares award outstanding as at the end of financial year
Nah Ee Ling	–	821,253	821,253	–
Yip Mun Fong, James	–	156,250	156,250	–

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. Audit and risk management committee

The Audit and Risk Management Committee ("ARMC") comprises three non-executive directors. The members of the ARMC during the reporting year and at the date of this statement are:

During the reporting year
Goh Chong Theng – Chairman (resigned on 15 June 2019)
Yip Mun Foong, James
Weng Huixin (resigned on 11 April 2019)

As at the date of the Directors' Statement
Er Kwong Wah – Chairman (appointed on 1 August 2019)
Yip Mun Foong, James

The ARMC carries out the functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, the SGX-ST Listing Manual and the Code of Corporate Governance. The ARMC also monitors proposed changes in accounting policies, reviews the internal audit functions and the adequacy of the group's internal controls; reviews interested person transactions; and discusses accounting implications of major transactions including significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the group and any formal announcements relating to the company's financial performance. In addition, the ARMC reviews with the external auditor the audit plan, including the nature and scope of the audit before the audit commences, their evaluation of the system of internal controls that are relevant to their audit, their audit report and their management letter and management's response. To do so, the ARMC meets regularly with the executive management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the group.

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company, including an explanation of how external auditor's objectivity and independence is safeguarded.

7. Audit and risk management committee (cont'd)

The ARMC has full access to and cooperation by management and has full discretion to invite any executive director or executive officer to attend its meetings.

The ARMC has met with the external auditor twice separately during the year, without the presence of the management.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditor at the next annual general meeting of the company.

Further details regarding the ARMC are disclosed in the Report on Corporate Governance.

On behalf of the directors

…………………………………	……………………………
Nah Ee Ling	Yip Mun Foong, James
Director	Director

10 September 2019

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of USP Group Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 March 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 of the financial statements. The group's total current liabilities exceeded total current assets by $15,495,000 as at 31 March 2019. In addition, the group incurred a net loss of $22,970,000 for the reporting year ended 31 March 2019 and had negative cash and cash equivalents of $1,008,000 as at 31 March 2019. The ability of the group to continue as a going concern is dependent on the satisfactory conclusion of the considerations disclosed in Note 1.

These events or conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. If the going concern assumption is inappropriate, 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 statements of financial position. In addition, the group may have to provide for further liabilities that may arise. Our opinion is not modified in respect of this matter.

Key audit matters

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

(a) Plant and machinery not in use and related deposit

Please refer to Note 2A for relevant accounting policies on property, plant and equipment and impairment of non-financial assets and Note 2C for critical judgements, assumptions and estimation uncertainties on plant and equipment not in use and related deposit.

As of 31 March 2018, the group had two eco-fuel machines included in plant and equipment that amounted to $9,657,000 and a deposit of $4,462,000 for a third eco-fuel machine that had yet to be delivered. Collectively, these machines and related deposit represented 13% of the group's total assets as at 31 March 2018. The group did not commence any eco-fuel production since the acquisition of the machines in 2014.

During the reporting year ended 31 March 2019, management decided to abort the plan to produce eco-fuel in view of the continuing depressed market conditions for the product. As these machines are highly specialised with limited resale market values, management has written off the full carrying value of the machines and the deposit totalling $14,119,000. The remaining balance due for the purchase cost of third eco-fuel machine amounting to $1,356,000 has been waived by the vendor.

Our procedures included the following:

(i) performed physical sighting of the two eco-fuel machines previously delivered;

(ii) verified the deposit payment to the vendor for the third machine;

(iii) reviewed the relevant agreements to understand the terms and conditions for the purchase of the machines;

(iv) discussed with management and the board of directors the group's plan for the eco-fuel business and the rationale for aborting the business;

(v) reviewed the waiver letter from the vendor for the remaining unpaid balance and ascertained that the waiver letter was approved by an appropriate authorised personnel from the vendor; and

(vi) performed procedures to ascertain that the vendor was not a related party of the group at the relevant time of the transactions.

Key audit matters (cont'd)

(b) Valuation of inventories

Please refer to Note 2A for accounting policy on inventories and Note 2C for critical judgements, assumptions and estimation uncertainties on inventories.

The group has inventories, mainly comprising marine motors and accessories held for sale, amounting to $14,992,000, which represents 16% of the group's total assets as at 31 March 2019. Inventories are carried at lower of cost and net realisable value. Inventories may be written down to net realisable value if they are slow-moving, become obsolete or if their selling prices have declined.

Management has performed a review to assess the saleability of the inventories concerned taking into consideration changes in technology and customers' preferences. Management is of the view that no allowance for inventory obsolescence is required.

Our procedures included the following:
(i) evaluated the process undertaken by management to identify inventories that may have to be written down to net realisable value, including obsolete and slow-moving inventories;
(ii) assessed the appropriateness of management's estimation of the net realisable value of the inventories by verifying, on a sample-basis, to actual sales subsequent to the reporting year; and
(iii) for aged inventories with no recent sales activity, evaluated the reasonableness of management's basis where no impairment is required, including review of management's assessment of the estimated selling prices of those inventories.

(c) Impairment assessment of investment in subsidiaries and amount due from subsidiaries

Please refer to Note 2A for accounting policy on investment in subsidiaries and Note 2C for critical judgements, assumptions and estimation uncertainties on investment in subsidiaries and amount due from subsidiaries.

As at 31 March 2019, the company's investment in subsidiaries and receivables from subsidiaries amounted to approximately $1,358,000 and $37,919,000 respectively.

During the reporting year ended 31 March 2019, management performed an impairment assessment of the investment in subsidiaries and receivables from subsidiaries. Impairment losses of approximately $261,000 and $19,853,000 respectively for investment in subsidiaries and amount due from subsidiaries were recognised in the company's profit or loss.

Our procedures included the following:
(i) considered the process established by management to assess reasonableness of assumptions used for the determination of impairment allowance;
(ii) reviewed adequacy of impairment loss recognised by management for investment in subsidiaries and other receivables due from subsidiaries; and
(iii) assessed the adequacy of the disclosure in the financial statements with respect to the impairment assessment.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report and statement by directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the financial reporting standards, 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 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's responsibilities for the audit of the financial statements (cont'd)

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chong Cheng Yuan.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

10 September 2019
Engagement partner – effective from year ended 31 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Reporting Year ended 31 March 2019
(In Singapore Dollars)

	Note	2019 $'000	2018 $'000 (Restated)
Revenue	5	40,985	38,642
Cost of sales		(27,415)	(26,107)
Gross profit		13,570	12,535
Other income	6	88	437
Other gains	7	190	2,479
Distribution costs	8	(1,470)	(979)
Administrative expenses	9	(11,511)	(13,013)
Other losses	7	(21,395)	(809)
Finance costs	10	(1,908)	(1,655)
Loss before income tax from continuing operations		(22,436)	(1,005)
Income tax expense	12	(72)	(115)
Loss after tax from continuing operations		(22,508)	(1,120)
Discontinued operations			
(Loss) / profit from discontinued operations, net of tax	13	(462)	1,245
(Loss) / profit for the year		(22,970)	125
Other comprehensive income / (loss):			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operation		(153)	75
Total comprehensive (loss) / income		(23,123)	200
(Loss) / profit attributable to:			
– Owners of the parent		(22,844)	(93)
– Non-controlling interests		(126)	218
		(22,970)	125
Total comprehensive (loss) / profit attributable to:			
– Owner of the parent		(22,997)	(18)
– Non-controlling interests		(126)	218
		(23,123)	200
		cents	cents
Loss per share from continuing operations			
Basic and diluted loss per share	14A	(24.65)	(1.39)
Loss per share from continuing operations and discontinued operations			
Basic and diluted loss per share	14B	(25.12)	(0.10)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at ended 31 March 2019
(In Singapore Dollars)

	Notes	31.03.2019 $'000	Group 31.03.2018 $'000 (Restated)	01.04.2017 $'000
ASSETS				
Non-current assets				
Property, plant and equipment	15	17,599	38,793	38,760
Investment properties	16	31,603	35,138	35,762
Intangible assets	18	1,144	1,834	2,140
Investment securities	19	–	–	194
Deferred tax assets	12	23	533	101
Trade and other receivables, non-current	22	–	–	1,129
Total non-current assets		50,369	76,298	78,086
Current assets				
Inventories	20	14,992	13,862	9,353
Development property	21	3,400	4,343	3,646
Trade and other receivables, current	22	7,875	5,550	4,056
Other assets	23	1,015	6,720	5,602
Investment securities	19	–	1,178	1,590
Cash and cash equivalents	24	3,258	3,103	3,125
		30,540	34,756	27,372
Assets of disposed group held for sale	13	9,036	–	–
Total current assets		39,576	34,756	27,372
Total assets		89,945	111,054	105,458
EQUITY AND LIABILITIES				
Equity				
Share capital	25	50,913	50,913	50,713
Treasury shares	26	(99)	(99)	–
Other reserves	27	4,716	1,985	2,098
Accumulated losses		(25,017)	(2,173)	(2,080)
Total equity attributable to owners of the parent		30,513	50,626	50,731
Non-controlling interests		84	3,094	2,876
Total equity		30,597	53,720	53,607
Non-current liabilities				
Deferred tax liabilities	12	1,153	2,065	2,120
Other payables	28	256	383	1,975
Other financial liabilities	29	2,868	31,064	31,286
Total non-current liabilities		4,277	33,512	35,381
Current liabilities				
Income tax payable		573	163	320
Other financial liabilities	29	43,733	16,607	12,005
Trade and other payables	31	7,444	6,371	3,612
Other liabilities	32	68	681	533
		51,818	23,822	16,470
Liabilities of a disposal group held for sale	13	3,253	–	–
Total current liabilities		55,071	23,822	16,470
Total liabilities		59,348	57,334	51,851
Total equity and liabilities		89,945	111,054	105,458

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at ended 31 March 2019
(In Singapore Dollars)

	Notes	31.03.2019	Company 31.03.2018	01.04.2017
		$'000	$'000	$'000
ASSETS				
Non-current assets				
Property, plant and equipment	15	162	198	215
Investment in subsidiaries	17	1,097	1,358	1,358
Total non-current assets		1,259	1,556	1,573
Current assets				
Trade and other receivables, current	22	18,126	38,301	38,388
Other assets	23	19	24	137
Investment securities	19	–	1,178	1,590
Cash and cash equivalents	24	359	330	692
Total current assets		18,504	39,833	40,807
Total assets		19,763	41,389	42,380
EQUITY AND LIABILITIES				
Equity				
Share capital	25	50,913	50,913	50,713
Treasury shares	26	(99)	(99)	–
Other reserves	27	(355)	(355)	(167)
Accumulated losses		(33,028)	(11,275)	(9,436)
Total equity		17,431	39,184	41,110
Non-current liability				
Other payables	28	–	–	800
Total non-current liability		–	–	800
Current liability				
Trade and other payables	31	2,332	2,205	470
Total current liabilities		2,332	2,205	470
Total liabilities		2,332	2,205	1,270
Total equity and liabilities		19,763	41,389	42,380

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Reporting Year ended 31 March 2019
(In Singapore Dollars)

Group:	Total equity $'000	Equity attributable to owners sub-total $'000	Share capital $'000	Treasury shares $'000	Accumulated losses $'000	Other reserves $'000	Non-controlling interests $'000
Current year:							
Opening balance at 1 April 2018, as restated	53,720	50,626	50,913	(99)	(2,173)	1,985	3,094
Total comprehensive loss for the year	(23,123)	(22,997)	–	–	(22,844)	(153)	(126)
Acquisition of parts of non-controlling interest in subsidiaries (Note 17B)	–	2,884	–	–	–	2,884	(2,884)
Closing balance at 31 March 2019	30,597	30,513	50,913	(99)	(25,017)	4,716	84

The accompanying notes form an integral part of these financial statements.

Group:	Total equity $'000	Equity attributable to owners sub-total $'000	Share capital $'000	Treasury shares $'000	Accumulated losses $'000	Other reserves $'000	Non-controlling interests $'000
Previous year:							
Opening balance at 1 April 2017	53,607	50,731	50,713	–	(2,080)	2,098	2,876
Total comprehensive loss							
Previously reported	340	122	–	–	47	75	218
Restatement (Note 38)	(140)	(140)	–	–	(140)	–	–
As restated	200	(18)	–	–	(93)	75	218
Issuance of shares pursuant to PSP (Note 25)	200	200	200	–	–	–	–
Transfer of other reserves pursuant to PSP	(200)	(200)	–	–	–	(200)	–
Purchase of treasury shares	(99)	(99)	–	(99)	–	–	–
Value of employee services received for issuance of performance shares (Note 11)	12	12	–	–	–	12	–
Closing balance at 31 March 2018	53,720	50,626	50,913	(99)	(2,173)	1,985	3,094

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Reporting Year ended 31 March 2019
(In Singapore Dollars)

Company	Total equity $'000	Share capital $'000	Accumulated losses $'000	Treasury shares $'000	Other reserves $'000
Current year:					
Opening balance at 1 April 2018	39,184	50,913	(11,275)	(99)	(355)
Total comprehensive loss for the year	(21,753)	–	(21,753)	–	–
Closing balance at 31 March 2019	17,431	50,913	(33,028)	(99)	(355)
Previous year:					
Opening balance at 1 April 2017	41,110	50,713	(9,436)	–	(167)
Total comprehensive income for the year	(1,839)	–	(1,839)	–	–
Issuance of shares pursuant to PSP (Note 25)	200	200	–	–	–
Transfer of other reserves pursuant to PSP	(200)	–	–	–	(200)
Purchase of treasury shares (Note 26)	(99)	–	–	(99)	–
Value of employee services received for issuance of performance shares (Note 11)	12	–	–	–	12
Closing balance at 31 March 2018	39,184	50,913	(11,275)	(99)	(355)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Reporting Year ended 31 March 2019
(In Singapore Dollars)

	Group	
	2019	2018
	$'000	$'000
		(Restated)
Cash flow from operating activities		
Loss before income tax from continuing operations	(22,436)	(1,005)
(Loss) / profit before income tax from discontinued operations	(462)	809
Loss before income tax, total	(22,898)	(196)
Interest income	(88)	(51)
Interest expense	2,063	1,774
Dividend income	–	(10)
Amortisation of intangible assets	67	306
Allowance for impairment of trade receivables	9	376
Allowance for impairment of other receivables	464	–
Allowance for impairment of intangible assets	164	–
Bad debt written off	30	15
Cost related to issuance of share pursuant to PSP	–	200
Depreciation of property, plant and equipment	2,585	2,495
Deferred rental	121	133
Deposits written off	4,462	–
Impairment loss of construction in progress	934	–
Inventories written off	–	2
Fair value loss on investment properties	3,500	–
Fair value loss / (gain) on investment securities	1,178	(12)
Fair value gain on deferred consideration	–	(508)
Gain on disposal of quoted investment properties	–	(6)
Gain on disposal of unquoted investment securities	–	(1,164)
(Gain) / loss on disposal of property, plant and equipment	(72)	340
Loss on dissolution of a subsidiary	10	–
Loss on disposal of investment securities	–	91
Loss on derivative financial instruments	15	–
Property, plant and equipment written off	9,657	–
Write down of development properties	972	–
Value of employee services received for issue of performance shares	–	12
Foreign currency translation	(94)	90
Operating cash flows before changes in working capital	3,079	3,887
Increase in trade and other receivables	(2,909)	(1,515)
Decrease / (increase) in other assets	1,231	(1,118)
Increase in inventories	(1,211)	(4,511)
Decrease in payables	1,507	3,134
Decrease in other liabilities	147	148
Increase in development properties	(29)	(697)
Cash flows from / (used in) operations	1,815	(672)
Income tax refunded / (paid)	122	(323)
Net cash flows from / (used in) operating activities	1,937	(995)

CONSOLIDATED
CASH FLOW STATEMENT

Reporting Year ended 31 March 2019
(In Singapore Dollars)

	Group	
	2019	2018
	$'000	$'000
		(Restated)
Cash flows from investing activities		
Purchase of property, plant and equipment	(894)	(3,220)
Decrease in receivables, non-current	–	759
Proceeds on disposal of quoted investments securities	–	333
Proceeds on disposal of plant, plant and equipment	611	200
Proceeds on disposal of investment properties	–	567
Proceeds on disposal of unquoted investment securities	–	1,358
Interest Income	88	51
Dividend received	–	10
Net cash flows (used in) / from investing activities	(195)	58
Cash flows from financing activities		
Decrease in other payables, non-current	(127)	(1,592)
Purchase of treasury shares	–	(99)
Net proceeds from loans and borrowings	191	4,353
Increase in fixed deposits pledged	(330)	(1,074)
Repayment of finance lease liabilities	(153)	(160)
Interest paid	(2,063)	(1,774)
Net cash flows used in financing activities	(2,482)	(346)
Net decrease in cash and cash equivalents	(740)	(1,283)
Cash and cash equivalents, beginning balance	(268)	1,015
Cash and cash equivalents, ending balance (Note 24A)	(1,008)	(268)

The accompanying notes form an integral part of these financial statements.

1. General

USP Group Limited (the "company") is incorporated in Singapore with limited liability. It is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The financial statements are presented in Singapore Dollar ("$") and they cover the company and its subsidiaries (collectively, the "group").

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the company are those of an investment holding company. The principal activities of the company's subsidiaries are disclosed in Note 17 to the financial statements below.

The registered office of the company is located at 38 Beach Road, South Beach Tower, #29 -11, Singapore 189767. The principal place of business is located at 16A Joo Koon Circle, Singapore 629048.

Basis for going concern

As at 31 March 2019, the group's total current liabilities exceeded total current assets by approximately $15,495,000. In addition, the group incurred a net loss of approximately $22,997,000 for the reporting year ended 31 March 2019 and had negative cash and cash equivalents of $1,008,000 as at 31 March 2019.

As disclosed in Note 29 to the financial statements, certain subsidiaries have breached their loan covenants as the company, who is the corporate guarantor of the subsidiaries' loans, did not fulfil the requirement to maintain a minimum consolidated tangible net worth of $40 million. As a result, non-current bank loans have been classified to current liabilities in accordance with the requirements of SFRS(I) 1-1 *Presentation of Financial Statements*.

The above-mentioned conditions indicate the existence of material uncertainties that may cast significant doubt about the group's ability to continue as a going concern. Nevertheless, 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 the following:

a) As disclosed in Note 13, the group entered into a legally-binding term sheet with a third party purchaser to dispose its subsidiary, Biofuel Research Pte Ltd, for a cash consideration of $5,585,400 on 23 May 2019. The group has on 24 May 2019 and on 18 June 2019 received from the purchaser the payments of $100,000 and $1,400,000 being deposit and first tranche of purchase consideration respectively. The definitive sales and purchase agreement has been entered between the group and the purchaser on 7 August 2019 and management expects the disposal to be completed within 6 months from 7 August 2019 upon satisfactory fulfilment of all conditions precedent to the agreement including satisfactory completion of due diligence review by the purchaser and the approval of the disposal by shareholders of the company and by SGX-ST.

1. General (cont'd)

Basis for going concern (cont'd)

b) The group obtained written confirmations from the bank concerned on 27 June 2019 that the bank has agreed to accommodate the breach of loan covenants on a one-off basis for the reporting year ended 31 March 2019. As a result, management is of the view that the bank will not request for immediate repayment of the outstanding loan amounts even though there was a breach of loan covenants. Had it not been for the breach of the loan covenants and the resultant classification of non-current bank loans to current liabilities, the group's total current assets would have exceeded total current liabilities by $9,202,000;

c) Management is confident that the proceeds from sale of development property in Singapore will be obtained within 12 months from the reporting year ended 31 March 2019;

d) The group is able to generate sufficient cash flows from its operating activities to support its operating expenditure for the next 12 months from the reporting year ended 31 March 2019; and

e) Management is actively seeking additional external equity financing from new investors.

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 statements of financial position. In addition, the group may need to reclassify non-current assets and may have to provide for further liabilities that may arise. No such adjustments have been made to these financial statements.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS (I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

1. General (cont'd)

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as equity investments financial assets in accordance with the financial reporting standard on financial instruments.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Revenue recognition (cont'd)

Revenue from sale of marine equipment and accessories and sale of scientific and precision equipment is recognised at a point in time when the performance obligation is satisfied by transferring a promised goods to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Revenue from rendering of marine equipment related services; calibration services and other rental related services is recognised when the company satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Employee benefits (cont'd)

The group is required to provide a minimum amount of pension benefits in accordance with Indonesian Labour Law No.13/2003. Since the Labour Law sets the formula for determining the minimum amount of benefits, in substance pension plans under the Labour Law represent defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustment for unrecognised actuarial gains or losses and past service costs. The defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (considering currently in Indonesia there is no deep market for high-quality corporate bonds) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Rental income from operating leases is recognised in profit or loss on a straight–line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight–line basis over the lease term.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Foreign currency transactions

The functional currency is the Singapore Dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of an investee for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the profit or loss items are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that investee.

Segment reporting

The group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Income tax (cont'd)

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and joint arrangements except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets as follows:

Freehold buildings	–	50 years
Leasehold properties	–	22 years
Leasehold improvement	–	5 years
Plant and machinery	–	10 to 20 years
Office equipment	–	5 years
Furniture and fittings	–	5 years
Motor vehicles	–	5 years
Computers	–	3 years

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Investment properties

Investment properties are properties owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction.

Investment properties are initially measured at cost including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the company's own use, rental or capital appreciation. Development properties are held as inventories and are measured at the lower of cost and net realisable value. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non–specific costs based on the relative size of the property sold.

Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives of customer relationship was estimated to be 5 years. In 2017, the useful lives was changed to 10 years as a result of the completion of the purchase price allocation exercise.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Subsidiaries

A subsidiary is an entity that is controlled by the company and the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with the financial reporting standard on financial instruments. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under the financial reporting standard on business combinations. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

Where the fair values are measured on a provisional basis they are finalised within one year from the acquisition date with consequent retrospective changes to the amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with the financial reporting standard on business combinations (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with the financial reporting standard on business combinations.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the company as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inventories

Inventories are measured at the lower of cost (first in first out) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments

Classification and measurement of financial assets:

#1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

#2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.

#3. Financial asset that is an equity investment classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.

#4. Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Treasury shares

Where the entity reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the entity's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the entity's owners and no gain or loss is recognised in profit or loss.

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Plant and machinery not in use and related deposit
As of 31 March 2018, the group had two eco-fuel machines included in plant and equipment that amounted to $9,657,000 and a deposit of $4,462,000 for a third eco-fuel machine that had yet to be delivered. The group did not commence any eco-fuel production since the acquisition of me machines in 2014. During the reporting year, management decided to abort the plan to produce eco-fuel in view of the continuing depressed market conditions for the product. As these machines are highly specialised with limited resale market values, management has written off the full carrying values of the machines and the deposit. The remaining unpaid balance due for the purchase cost of the third eco-fuel machine amounting to $1,356,000 has been waived by the vendor.

Net realisable value of inventories
A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the 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 usual considerations for determining the amount of allowance or write-down include 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. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of the group inventories as at 31 March 2019 was $14,992,000 (31 March 2018: $13,862,000, 1 April 2017: $9,353,000) respectively.

Measurement of impairment of receivables from subsidiaries
The receivables from subsidiaries are subject to the expected credit loss model under the financial reporting standard on financial instruments. At the end of the reporting year, except for the receivables from subsidiaries amounting to $25,013,000 which was determined by management as credit impaired for which impairment of $19,853,000 was recognised, a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition with the credit risk at the reporting date. Adjustment to the loss allowance is made for any increase or decrease in credit risk. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount of the company's receivables from subsidiaries as at 31 March 2019 was $18,066,000 (31 March 2018: $38,200,000, 1 April 2017: $38,206,000) respectively.

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Measurement of impairment of investment in subsidiaries
Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset affected. The carrying amount of the company's investments in subsidiaries as at 31 March 2019 was $1,097,000 (31 March 2018: $1,358,000, 1 April 2017: $1,358,000) respectively.

Useful lives of property, plant and equipment
The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the group and company's property, plant and equipment as at 31 March 2019 were $17,599,000 (31 March 2018: $38,793,000, 1 April 2017: $38,760,000) respectively.

Leasehold properties and redevelopment project
The group's construction in progress ("CIP") pertains to the costs incurred on a leasehold properties which is part of the company's redevelopment project together with another leasehold properties. There is a possibility that the redevelopment project will be aborted after management's re-consider the group's business strategy. Management is of the view that the amount spent which is capitalised as CIP may not be fully recovered from the lessor of the leasehold land and building. An impairment is recognised on CIP amounting to $934,000 based on management's estimation of the recoverable amount of CIP after discussion with the lessor. The carrying amount of the group CIP as at 31 March 2019 was $1,600,000 (31 March 2018: $2,460,000, 1 April 2017: Nil) respectively.

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3. Related party relationships and transactions (cont'd)

3A. Related companies

Related companies in these financial statements relate to the company's subsidiaries.

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

3B. Key management compensation

	Group	
	2019	2018
	$'000	$'000
Salaries, directors' fee and other short-term employee benefits	892	930
Contributions to defined benefits plans	95	117

The above amount is included under employee benefits expense. Included in the above amount are the following items:

	Group	
	2019	2018
	$'000	$'000
Remuneration of directors	533	622

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly.

3C. Other receivables from and (other payables to) subsidiaries

	Company	
	2019	2018
	$'000	$'000
Subsidiaries:		
Balance at beginning of the year	36,850	37,898
Amounts paid in	(20,600)	(1,048)
Balance at end of the year	16,250	36,850
Presented as:		
Trade and other receivables (Note 22)	18,066	38,200
Trade and other payables (Note 31)	(1,816)	(1,350)
Balance at end of the year	16,250	36,850

4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes the group is organised into the following major strategic operating segments that offer different products and services: (1) oil trading, (2) property, (3) marine trading, (4) calibration of environment equipment and (5) others which include investment holding.

Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance of each segment. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

a) The recycling of waste oil segment is a research and development, engineering, manufacturing and consultancy for the biofuel industry.
b) The property investments segment is a property developer and property investment.
c) The marine distributors and dealerships is a trader of marine equipment and related products.
d) The calibration of environment equipment segment is a trader and service provider of mechanical and electronic scientific and industrial instruments as well as air purification products.
e) The others segment includes investment holding companies.

The discontinued operations relate to the disposal of the recycling of waste oil segment (see Note 13)

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the group's profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment to arrive at segment results.

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise jointly used assets and liabilities.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment's operating results is profit before income tax.

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

4. Financial information by operating segments (cont'd)

4B. Business segments

The information on each product and service or each group of similar products and services is as follows:

2019	Property investments $'000	Marine distributors and dealerships $'000	Calibration of environmental equipment $'000	Others $'000	Continuing operations $'000	Recycling of waste oil (discontinued operations) $'000	Total $'000
Revenue							
– Sales to external customers	3,634	35,025	2,326	–	40,985	2,129	43,114
Interest income (Note 6)	–	84	–	4	88	–	88
Fair value loss on quoted investment securities (Note 7)	–	–	–	(1,178)	(1,178)	–	(1,178)
Fair value loss on investment properties (Note 7)	(3,500)	–	–	–	(3,500)	–	(3,500)
Depreciation of property, plant and equipment (Note 15)	(488)	(1,268)	(172)	(36)	(1,964)	(621)	(2,585)
Write off of deposits (Note 7)	–	–	–	(4,462)	(4,462)	–	(4,462)
Write off of property, plant and equipment (Note 7)	–	–	–	(9,657)	(9,657)	–	(9,657)
Write down of development properties (Note 7)	(972)	–	–	–	(972)	–	(972)
Impairment loss of construction in progress (Note 7)	–	(934)	–	–	(934)	–	(934)
Impairment loss of intangible assets (Note 7)	–	–	(164)	–	(164)	–	(164)
Impairment loss of other receivables (Note 7)	(464)	–	–	–	(464)	–	(464)
Loss before income tax	(4,216)	(1,680)	(193)	(16,347)	(22,436)	(462)	(22,898)
Total assets	26,257	50,423	2,254	1,975	80,909	9,036	89,945
Total liabilities	24,470	23,741	1,626	6,258	56,095	3,253	59,348
Other segment information:							
Capital expenditure on property, plant and equipment and development property	85	485	253	–	823	100	923

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4. Financial information by operating segments (cont'd)

4B. Business segments (cont'd)

	Property Investments $'000	Marine Distributors and Dealerships $'000	Calibration of Environmental Equipment $'000	Others $'000	Continuing operation $'000	Recycling of Waste Oil (discontinued operation) $'000	Total $'000
2018							
Revenue							
– Sales to external customers	3,686	32,234	2,722	–	38,642	3,332	41,974
Interest income (Note 6)	–	51	–	–	51	–	51
Fair value gain on quoted securities (Note 7)	–	–	–	12	12	–	12
Gain on disposal of investment securities (Note 7)	–	–	1,164	–	1,164	–	1,164
Depreciation of property, plant and equipment (Note 15)	(6)	(1,183)	(142)	(59)	(1,390)	(1,105)	(2,495)
(Loss) / profit before income tax	2,018	(1,827)	1,282	(2,478)	(1,005)	809	(196)
Total assets	7,626	27,893	3,417	65,643	104,579	6,475	111,054
Total liabilities	1,141	20,113	2,098	30,308	53,660	3,674	57,334
Other segment information:							
Capital expenditure on property, plant and equipment and development property	697	2,846	366	2	3,911	8	3,919

4. Financial information by operating segments (cont'd)

4C. Geographical information

	China/ Hong Kong/ Indonesia/ India $'000	Malaysia $'000	Singapore $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
2019						
Revenue – External	5,260	21,315	14,410	40,985	2,129	43,114
Segment non-current assets (excluding deferred tax assets)	1,068	5,353	43,925	50,346	8,798	59,144
Capital expenditure on property, plant and equipment and development property	–	22	801	823	100	923
2018						
Revenue – External	4,416	20,672	13,554	38,642	3,332	41,974
Segment non-current assets (excluding deferred tax assets)	6,774	5,649	57,387	69,810	5,955	75,765
Capital expenditure on property, plant and equipment and development property	172	140	3,597	3,909	8	3,917

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

4D. Information about major customers

There are no customers with revenue transactions of over 10% of the group's revenue.

5. Revenue

	Group	
	2019	2018
	$'000	$'000
Sale of marine equipment and accessories	34,496	31,797
Sale of scientific and precision equipment	622	1,388
Rendering of marine equipment related services	529	437
Rendering of calibration services	1,704	1,334
Rendering of rental related services	923	956
Rental income	2,711	2,730
	40,985	38,642

All the contracts are less than 12 months. Revenue from sale of marine equipment and accessories, sale of scientific and precision equipment, and rendering of marine equipment related services; calibration services and other rental related services is recognised based on point in time.

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

6. Other income

	Group	
	2019	2018
	$'000	$'000
Interest income	88	51
Dividend income	–	10
Others	–	376
	88	437

7. Other gains and (other losses)

	Group 2019 $'000	Group 2018 $'000
Allowance for impairment of trade receivables (Note 22)	(9)	(376)
Allowance for impairment of other receivables (Note 22)	(464)	–
Bad debts written off	(30)	(15)
Fair value (loss) / gain on quoted securities (Note 19)	(1,178)	12
Fair value gain on deferred consideration	–	508
Fair value loss on investment properties (Note 16)	(3,500)	–
Fair value loss on derivative financial instruments	(15)	–
Foreign exchange gain, net	61	650
Gain on disposal of investment properties	–	6
Gain on disposal of unquoted investment securities	–	1,164
Gain/(loss) on disposal of plant and equipment	72	(327)
Impairment loss of intangible assets (Note 18)	(164)	–
Impairment loss of construction in progress (Note 15)	(934)	–
Loss on dissolution of subsidiary	(10)	–
Loss on disposal of quoted investment securities	–	(91)
Write down of development property (Note 21)	(972)	–
Write off of deposit (Note 23)	(4,462)	–
Write off of property, plant and equipment (Note 15)	(9,657)	–
Others	57	139
Net	(21,205)	1,670
Presented in profit and loss as:		
Other gains	190	2,479
Other losses	(21,395)	(809)
	(21,205)	1,670

8. Distribution costs

The above is arrived at after charging:

	Group 2019 $'000	Group 2018 $'000
Travel expenses	146	110
Transportation expenses	171	623
Selling and operation expense related to sale of marine equipment and accessories	1,056	843

9. Administrative expenses

The above is arrived at after charging:

	Group	
	2019	2018
	$'000	$'000 (Restated)
Audit fees to the independent auditor of the company	132	145
Audit fees to the other independent auditor	33	22
Additional buyer's stamp duty expenses	–	140
Other fees to the independent auditor of the company	–	4
Depreciation of property, plant and equipment	1,452	1,399
Depreciation of investment properties	35	17
Rental expenses	350	304
Professional fees	359	1,267
Property tax	299	367
Directors remunerations	446	511
Employee benefits expense (Note 11)	6,070	7,643

10. Finance costs

	Group	
	2019	2018
	$'000	$'000
Interest expenses on bank overdraft	146	117
Interest expenses on finance lease liabilities	17	27
Interest expenses on bank loans	1,288	1,178
Interest expenses on trade financings	457	333
	1,908	1,655

11. Employee benefits expense

	Group	
	2019	2018
	$'000	$'000
Salaries, bonuses and other employees' benefits	5,249	6,606
Contributions to defined contribution plans	639	701
Employee performance share plan	–	12
Other benefits	182	324
	6,070	7,643

The employee benefits expenses are included in administrative expenses.

12. Income tax expense / (income)

12A. Components of income tax expense / (income) recognised in profit or loss

	Group	
	2019 $'000	2018 $'000
Current tax expense:		
Current tax expense	458	162
(Over)/under adjustments in respect of prior periods	(173)	3
Subtotal	285	165
Deferred tax income:		
Deferred tax (income)/expense	(112)	189
Under adjustments in respect of prior periods	(101)	(239)
Subtotal	(213)	(50)
Total income tax expenses attributable to continuing operations	72	115
Income tax income attributable to discontinued operation (Note 13)	–	(436)
Income tax expense / (income) recognised in profit or loss	72	(321)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2019 $'000	2018 $'000 (Restated)
Loss before income tax from continuing operations	(22,436)	(1,005)
(Loss) / profit before tax from discontinued operation (Note 13)	(462)	809
Loss before income tax	(22,898)	(196)
Income tax income at the above rate	(3,893)	(33)
Expenses not deductible for tax purposes	3,920	521
Effect of different tax rates in different countries	(8)	66
Tax effect of non-taxable income	(57)	(445)
Deferred tax assets not recognised	571	666
Tax rebate and exemptions	(77)	(87)
(Over)/under adjustments to current tax expense in respect of prior years	(173)	3
Under adjustments to deferred tax income in respect of prior years	(101)	(239)
Utilisation of previously unrecognised deferred tax assets	–	(786)
Utilisation of group relief	(134)	(114)
Others	24	127
Total income tax expense	72	(321)

There are no income tax consequences of dividends to owners of the company.

12. Income tax expense / (income) (cont'd)

12A. Components of income tax expense / (income) recognised in profit or loss (cont'd)

As at 31 March 2019, the group has unutilised tax losses and unabsorbed capital allowances of $18,733,622 and $3,436,611 (31 March 2018: $15,579,981 and $3,338,819; 1 April 2017: $14,483,000 and $3,338,000) respectively that are available for set-off against future taxable profits, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and capital allowances is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislations of the respective countries in which the group operates.

The unutilised tax losses and capital allowance do not have any expiry date except for the unutilised tax losses arising from the subsidiary in the jurisdiction of Republic of Indonesia amounting to $609,152 (31 March 2018: $447,460; 1 April 2017: Nil) which can only be utilised for the set-off against its future taxable profits within five years from the date the tax losses were incurred. The unutilised tax losses will expire at various dates up to and including 2022.

12B. Deferred tax income recognised in profit or loss

	Group	
	2019	2018
	$'000	$'000
Excess of net book value of plant and equipment over tax values	(50)	(55)
Others	(163)	(431)
	(213)	(486)

12C. Deferred tax balance in the statement of financial position

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of the reporting year	(1,532)	(2,019)
Credited to profit or loss for the reporting year	213	486
Transfer to liabilities held for sale (Note 13)	186	–
Exchange differences	3	1
Balance at beginning of the reporting year	(1,130)	(1,532)
Major deferred tax assets and liabilities recognised by the group:		
Excess of book value of plant and equipment over tax values	(20)	(70)
Fair value uplift on assets from acquisition of subsidiaries	(1,133)	(1,995)
Others	23	533
	(1,130)	(1,532)
Presented in the statement of financial position as follows:		
Deferred tax liabilities	(1,153)	(2,065)
Deferred tax assets	23	533
	(1,130)	(1,532)

13. Discontinued operation and disposal group classified as held for sale

On 20 February 2019, the group entered into a non-binding term sheet ("Term Sheet") with a third party purchaser in relation to the proposed disposal by the company of its entire interest of 93.09% shareholdings in a subsidiary, Biofuel Research Pte Ltd ("Biofuel") undertaking the group's recycling of waste oil business (the "Proposed Disposal") for a potential consideration of $5,590,000. The non-binding term sheet was terminated on 22 April 2019 and a binding term sheet was entered between the group and another third party purchaser to continue the proposed disposal for a sale consideration of $5,585,400 on 23 May 2019. The definitive sale and purchase agreement was entered with this third party purchaser on 7 August 2019 to confirm the deal.

Management has reviewed and concluded that Biofuel, as a result of the proposed disposal, meets the requirements of SFRS(I) 5 to be presented as discontinued operation as at end of the reporting year. Therefore, the entire recycling of waste oil business which was contributed by Biofuel is presented as discontinued operation and classified as assets and liabilities held for sale. Accordingly, the comparative figures are re-presented to show the discontinued operations in the consolidated statement of profit or loss.

Analysis of the result of discontinued operations and the results recognised on the re-measurement of disposal group is as follows:

Disclosures for statement of financial position

The major classes of assets and liabilities of recycling of waste oil business classified as held for sale as at 31 March 2019 is as follows:

	Group 2019 $'000
Assets:	
Goodwill (Note 18)	459
Property, plant and equipment (Note 15)	8,339
Inventories	81
Trade and other receivables	81
Other assets	12
Cash and cash equivalents (Note 24A)	64
Assets of disposal group classified as held for sale	9,036
Liabilities:	
Deferred tax liabilities (Note 12C)	186
Trade and other payables	555
Other financial liabilities (Note 24B)	1,752
Other liabilities	760
Liabilities of disposal group classified as held for sale	3,253
Net assets directly associated with disposal group classified as held for sale	5,783

13. Discontinued operation and disposal group classified as held for sale (cont'd)

Disclosures for statement of profit or loss

The results of discontinued operation for the reporting years ended 31 March 2019 and 2018 are as follows:

	Group	
	2019	2018
	$'000	$'000
Revenue	2,129	3,332
Cost of sales	(447)	(549)
Gross profit	1,682	2,783
Other income and gains	313	396
Distribution costs	(303)	(321)
Administrative expenses	(1,999)	(1,905)
Other losses	–	(25)
Finance costs	(155)	(119)
(Loss) / profit before tax	(462)	809
Income tax income	–	436
(Loss) / profit for the year	(462)	1,245

Disclosures for statement of cash flows

The cash flows attributable to discontinued operation is as follows:

	Group	
	2019	2018
	$'000	$'000
Operating activities	1,309	1,929
Investing activities	(43)	(155)
Financing activities	(1,448)	(1,904)
Net cash outflows	(182)	(130)

Disclosure for (loss) / earnings per share

	Discontinued operation	
	2019	2018
	cents	cents
(Loss) / earnings per share from discontinued operation attributable to owners of the company (cents per share)		
Basic and diluted	(0.47)	1.28

The basic and diluted (loss) / earnings per share from discontinued operation are calculated by dividing the (loss) / earnings from discontinued operation, net of tax, attributable to owners of the company (Note 14A) by the weighted average number of ordinary shares for basic and diluted earnings per share computation. The (loss) / earnings from discontinued operation, net of tax, attributable to owners of the company and the weighted average number of ordinary shares are presented in the table in Note 14A.

14. (Loss) / earnings per share

14A. Loss per share from continuing operations

Basic loss per share from continuing operations are calculated by dividing loss from continuing operations, net of tax, attributable to owners of the company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share from continuing operations for the reporting year is the same as the basic loss per share as the group does not have any potential dilutive ordinary shares as at the end of the reporting year.

The following tables reflect the loss and share data used in the computation of basic and diluted earnings per share for the years ended 31 March:

	Group	
	2019	2018
	$'000	$'000 (Restated)
Loss for the year attributable to owners of the company	(22,844)	(93)
Add back / (less): Loss / (profit) from discontinued operation, net of tax, attributable to owners of the company	430	(1,159)
Loss from continuing operations, net of tax, attributable to owners of the company used in the computation of basic loss per share from continuing operations	(22,414)	(1,252)

	No of shares	
	2019	2018
Weighted average number of equity shares	90,922,003	90,287,403

14B. Loss per share from continuing operations and discontinued operations

The basic loss per share are calculated by dividing the loss for the year attributable to owners of the company by the weighted average number of ordinary shares. These loss and share data are presented in the table in Note 14A above.

Diluted loss per share for the reporting year is the same as the basic loss per share as the group does not have any potential dilutive ordinary shares as at the end of the reporting year.

15. Property, plant and equipment

	Construction in progress $'000	Freehold lands and buildings $'000	Leasehold properties $'000	Leasehold improvement $'000	Plant and machinery $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Computers $'000	Total $'000
Group										
Cost:										
At 01.04.2017	–	7,210	20,934	162	15,796	536	1,223	3,158	547	49,566
Currency realignment	–	(908)	1,112	411	(679)	(81)	(410)	51	(4)	(508)
Additions	2,460	–	–	92	368	168	3	84	45	3,220
Disposals	–	(264)	–	(94)	(169)	–	–	(768)	(3)	(1,298)
At 31.03.2018	2,460	6,038	22,046	571	15,316	623	816	2,525	585	50,980
Currency realignment	–	–	(38)	–	–	–	–	(3)	–	(41)
Additions	74	–	13	22	559	54	3	141	28	894
Disposals	–	(202)	–	(5)	(357)	–	–	(538)	–	(1,102)
Write-off	–	–	–	–	(10,177)	–	–	–	–	(10,177)
Transfer to asset held for sale (Note 13)	–	–	(10,176)	(61)	(4,303)	(138)	–	(84)	–	(14,762)
At 31.03.2019	2,534	5,836	11,845	527	1,038	539	819	2,041	613	25,792
Accumulated depreciation and impairment loss:										
At 01.04.2017	–	35	1,769	46	4,890	280	1,023	2,338	425	10,806
Currency realignment	–	428	29	307	(1,013)	12	(306)	37	(4)	(510)
Charge for the reporting year	–	69	1,364	109	510	94	10	261	78	2,495
Disposals	–	(37)	–	(31)	(7)	–	–	(529)	–	(604)
At 31.03.2018	–	495	3,162	431	4,380	386	727	2,107	499	12,187
Currency realignment	–	–	(2)	–	–	(5)	–	–	–	(7)
Charge for the reporting year	–	87	1,436	61	592	142	37	165	65	2,585
Impairment	934	–	–	–	–	–	–	–	–	934
Disposals	–	(29)	–	(5)	(100)	–	–	(429)	–	(563)
Write-off	–	–	–	–	(520)	–	–	–	–	(520)
Transfer to asset held for sale (Note 13)	–	–	(2,593)	(36)	(3,709)	(63)	–	(22)	–	(6,423)
At 31.03.2019	934	553	2,003	451	643	460	764	1,821	564	8,193
Net book value:										
At 01.04.2017	–	7,175	19,165	116	10,906	256	200	820	122	38,760
At 31.03.2018	2,460	5,543	18,884	140	10,936	237	89	418	86	38,793
At 31.03.2019	1,600	5,283	9,842	76	395	79	55	220	49	17,599

15. Property, plant and equipment (cont'd)

Assets held under finance lease

The carrying amount of the group's plant and equipment includes an amount of $138,000 (2018: $295,000) that are under finance leases (Note 29). The group's obligations under finance lease are secured by the lessor's title to the leased assets.

Plant and equipment not in use and written off

At the end of the previous reporting year, the group had two eco-fuel machines of net carrying amount of $9,657,000 which were not in use as operations had not commenced. During the reporting year, management decided to abort the plan to produce eco-fuel in view of the sale of Biofuel Research Pte. Ltd. and the continuing depressed market for the product. As these machines are highly specialised with limited resale market values, management has written off the full carrying value of the machines.

Leasehold properties and redevelopment project

During the previous reporting year, the group contracted with Jurong Town Corporation ("JTC") to redevelop its existing premises together with a new leasehold property located next to its existing location of 16A, Joo Koon Circle. As a result of this arrangement, the existing premises will have a shorter useful life to be aligned with the new leasehold property. The impact of this change in useful life is an accelerated depreciation of $374,463 charged during the previous reporting year.

During the reporting year, the group paid $73,940 (2018: $2,382,279) as part of the construction costs for the new leasehold property. These costs have been capitalised. Management has carried out an impairment assessment on construction in progress and recognised an impairment loss of $934,000 as at 31 March 2019.

	Office equipment	Motor vehicle	Computers	Total
	$'000	$'000	$'000	$'000
Company				
Cost:				
At 1 April 2017, 31 March 2018 and 31 March 2019	119	132	19	270
Accumulated depreciation:				
At 1 April 2017	10	33	12	55
Charge for the year	1	13	3	17
At 31 March 2018	11	46	15	72
Charge for the year	19	13	4	36
At 31 March 2019	30	59	19	108
Net book value:				
At 1 April 2017	109	99	7	215
At 31 March 2018	108	86	4	198
At 31 March 2019	89	73	–	162

16. Investment properties

	Group 2019 $'000	Group 2018 $'000
At fair value:		
At beginning of the reporting year	35,138	35,762
Disposal	–	(624)
Loss from fair value adjustments recognised in other losses (Note 7)	(3,500)	–
Exchange differences	(35)	–
At end of the reporting year	31,603	35,138
Statement of comprehensive income		
Rental and other related income from investment properties (Note 5)	3,634	3,686
Direct operating expenses (including repairs and maintenance) arising from revenue generating properties	830	839

The group has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

On 10 May 2017, the subsidiary company disposed a property to a third party for a sales consideration of AUD518,000 (approximately $567,125). The loss on disposal of $56,875 is offset with other reserve.

These investment properties are charged to secure certain bank borrowings of the group (Note 29).

During the reporting year, the fair value adjustment of the investment properties of $3,500,000 was charged to profit or loses included in other losses (Note 5).

The investment properties held by the group as at 31 March 2019 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
182, 184, 186 Woodlands Industrial Park E5, Singapore 757515	Workshops, offices and workers' dormitory	30 years lease commencing 25 April 2007	19 years
A one bedroom apartment at 25G Garden Tower, Tower 1, Manila, Philippines	Residential	Freehold	N/A
149 Residence Tower Woodberry Grove, London N4 2BS, United Kingdom	Residential	Leasehold	990 years

16. Investment properties (cont'd)

Description	Fair Value $'000	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 March 2019				
Investment properties	30,000	Direct comparison method and Income capitalisation method	Transaction price and rental price per square foot ("psf") [1]	Favourable (adverse) change in price will increase (decrease) fair value
At 31 March 2018				
Investment properties	33,500	Direct comparison	Rental price per square foot ("psf") [1]	Favourable (adverse) change in price will increase (decrease) fair value
At 31 March 2017				
Investment properties	33,500	Direct comparison and profit method	Rental price per square foot ("psf") [1]	Favourable (adverse) change in price will increase (decrease) fair value

[1] Any significant isolated increase/(decrease) in these inputs would result in a significantly higher/(lower) fair value measurement - Level 3.

The fair value of the investment properties located at woodlands Industrial Park E5 was based on valuation report prepared by Savills Valuation and Professional Services (S) Pte Ltd, a firm of independent professional valuers on 3 May 2019. The fair value was determined based on comparable market transaction and income capitalisation method that consider sales of similar properties that have been transacted in the open markets and the estimated market net income capitalised at appropriate market capitalisation rate. This fair value is regarded as Level 3 fair value measurement as the valuation includes inputs for the assets that are based on comparison with market evidence of recent transaction prices and rental price per square foot for similar properties.

The fair value of the investment properties woodlands Industrial Park E5 as at end of the previous reporting year was determined based on valuation report prepared by Dennis Wee Realty Pte Ltd, a firm of independent professional valuers on 24 April 2018 by adopting direct comparison for the valuation.

The fair value of the group's investment properties in Manila and London is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market. This fair value is regarded as Level 3 fair value measurement.

17. Investment in subsidiaries

	Company 31.03.2019 $'000	31.03.2018 $'000	01.01.2017 $'000
Unquoted equity shares, at cost	1,358	1,358	1,358
Allowance for impairment	(261)	–	–
Balance at end of the year	1,097	1,358	1,358

Movements in the allowance for impairment are as follows:

	Company 31.03.2019 $'000	31.03.2018 $'000	01.01.2017 $'000
Balance at beginning of the year	–	–	–
Allowance for impairment	261	–	–
Balance at end of the year	261	–	–

During the reporting year, management carried out an impairment review of company's investment in subsidiaries. As a result of this review, management has recognised an impairment loss of $261,000 relating to USP Industrial Pte Ltd which has a net capital deficiency position as at reporting year end date.

The subsidiaries held by the company are listed below:

	Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost 31.03.2019 $'000	31.03.2018 $'000	01.04.2017 $'000	Equity held 31.03.2019 %	31.03.2018 %	01.04.201 %
	Held by the company						
^	USP Properties Pte Ltd Singapore Investment holding and real estate developer	1,044	1,044	1,044	100	100	100
^	USP Industrial Pte Ltd Singapore Investment holding, research and development, engineering, manufacturing and consultancy for biofuel industry	261	261	261	100	100	100
^	Biofuel Research Pte Ltd Singapore Research and development, engineering, manufacturing and consultancy for biofuel industry	53	53	53	7	7	7
		1,358	1,358	1,358			

(In Singapore Dollars)

17. Investment in subsidiaries (cont'd)

	Name of subsidiaries, country of incorporation, place of operations and principal activities	Equity held 31.03.2019 %	Equity held 31.03.2018 %	Equity held 01.04.2017 %
	Held through USP Industrial Pte Ltd			
^	Biofuel Research Pte Ltd Singapore Research and development, engineering, manufacturing and consultancy for biofuel industry	86	86	86
^	BOS Marine Pte Ltd (formerly known as USP Oil Pte Ltd) Singapore Wholesale of marine equipment and accessories	100	100	60
^	Scientific & Industrial Instrumentation Pte Ltd Singapore (Note 17A) Trading in scientific and industrial instruments	100	51	51
^	USPI Investment Pte Ltd Singapore Investment holding	100	100	100
^	SII Scientific (S) Pte Ltd (formerly known as SII International Pte. Ltd., USP-Tech Pte. Ltd. and Sky-Land (Oils & Fats) Pte. Ltd.) Singapore Wholesale of medical, professional , scientific and precision equipment	100	100	100
	Held through BOS Marine Pte Ltd (formerly known as USP Oil Pte Ltd)			
*	BOS Marine (M) Sdn Bhd Malaysia Wholesale of marine equipment and accessories	100	100	–
	Held through USPI Investment Pte Ltd			
^&	Supratechnic Pte Ltd Singapore Wholesale of industrial machinery and equipment, marine equipment and accessories	100	100	100

(In Singapore Dollars)

17. Investment in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation, place of operations and principal activities		Equity held	
	31.03.2019	31.03.2018	01.04.2017
	%	%	%
+ Supratechnic (B) Sdn Bhd (Brunei) Wholesale of industrial machinery and equipment, marine equipment and accessories	–	1	–
Held through Supratechnic Pte Ltd			
*& Supratechnic (M) Sdn. Bhd. Malaysia Trading in outboard motors and general merchandise	100	90	90
# PT Supratechnic Instrumentasi (Indonesia) Trading in outboard motors and general merchandise	100	100	100
+ Supratechnic (B) Sdn Bhd (Brunei) Wholesale of industrial machinery and equipment, marine equipment and accessories	–	99	–
Held through Supratechnic (M) Sdn Bhd			
* Semangat Hitech Sdn. Bhd. Malaysia Letting out of properties and general traders	100	90	90
Held through the USP Properties Pte Ltd			
+ Cluny Home Development Pte Ltd Singapore Real estate developer	–	–	90
^ USPP Woodlands Pte Ltd Singapore Investment holding	100	100	100

17. Investment in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation, place of operations and principal activities		Equity held	
	31.03.2019	31.03.2018	01.04.2017
	%	%	%
Held through USPP Woodlands Pte Ltd			
^& Koon Cheng Development Pte Ltd Singapore Real estate developer	100	100	100

^ Audited by RSM Chio Lim LLP.
* Audited by RSM Malaysia, is a member of RSM International, of which RSM Chio Lim LLP is a member
# Audited by RSM Indonesia, is a member of RSM International, of which RSM Chio Lim LLP is a member
+ The company has been striked off during the reporting year ended 31 March 2019 or 31 March 2018.
& Significant subsidiaries with net tangible assets represent 20% or more of the group's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the group's consolidated pre-tax profit.

17A. Subsidiary with material non-controlling interests

The summarised financial information of the subsidiary with non–controlling interests that were material to the group, not adjusted for the percentage ownership held by the group was, as follows:

	31.03.2018	01.04.2017
	$'000	$'000
Scientific & Industrial Instrumentation Pte Ltd		
Profit/(loss) allocated to NCI of the subsidiary	98	(158)
Accumulated NCI of the subsidiary	1,241	1,143
The summarised financial information of the subsidiaries (not adjusted for the percentage ownership held by the group and amounts before inter-company eliminations):		
Current assets	770	621
Current liabilities	(1,802)	(813)
Profit/(loss) for the reporting year	199	(323)
Total comprehensive income/(loss)	199	(323)
Operating cash flows (decrease)/increase	(482)	(252)
Net cash flows, increase/(decrease)	134	(685)

As at 31 March 2019, the only subsidiary with non-controlling interests is Biofuel Research Pte Ltd whose financial information is disclosed in Note 13.

17. Investment in subsidiaries (cont'd)

17B. Acquisition of parts of non-controlling interest in subsidiaries

On 1 March 2019, the group acquired 10% equity interest in Supratechnic (M) Sdn. Bhd and its subsidiaries, and acquired 49% of Scientific & Industrial Instrumentation Pte Ltd from the non-controlling interest for a cash consideration of $0.33 (MYR1) and $1 respectively as a result of the settlement of litigation between the non-controlling interest and a subsidiary, Scientific & Industrial Instrumentation Pte Ltd. The 10% of non-controlling interest in Supratechnic (M) Sdn. Bhd of $940,314 and 49% of non-controlling interest in Scientific & Industrial Instrumentation Pte Ltd of $1,943,424 were transferred to the capital reserve of the group (Note 27) subsequent to the acquisition.

18. Intangible assets

	Customer relationships $'000	Goodwill $'000	Club membership $'000	Total $'000
Group				
Cost:				
Balance at 1 April 2017 and 31 March 2018	1,866	481	1	2,348
Transfer to asset held for sale (Note 13)	–	(459)	–	(459)
Balance at 31 March 2019	1,866	22	1	1,889
Accumulated amortisation and impairment:				
Balance at 1 April 2017	186	22	–	208
Charge for the year	306	–	–	306
Balance at 31 March 2018	492	22	–	514
Amortisation charged for the year	67	–	–	67
Impairment charged for the year	164	–	–	164
Balance at 31 March 2019	723	22	–	745
Net carrying amount:				
At 1 April 2017	1,680	459	1	2,140
At 31 March 2018	1,374	459	1	1,834
At 31 March 2019	1,143	–	1	1,144

Customer relationships were acquired in the reporting year ended 31 March 2016 as part of the acquisition of Supratechnic group which comprises entities including, Supratechnic Pte Ltd, Supratechnic (M) Sdn Bhd, PT Supratechnic Instrumentasi and Scientific & Industrial Instrumentation Pte Ltd. The fair value on the date of initial recognition was based on its intended use and the expected future economic benefit to be derived from the future operating cash inflows from products associated with the acquired customer relationships.

18. Intangible assets (cont'd)

During the reporting year, full impairment was recognised by management on the carrying amount of the acquired customer relationships of Scientific & Industrial Instrumentation Pte Ltd ("SII") amounting to $164,000 as SII switched the principal of a featured product of which the acquired customer relationships were related. Therefore, management does not expect future economic benefit to be derived from the acquired customer relationship of SII as at end of the reporting year.

19. Investment securities

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Current:			
Financial asset classified as measured at fair value through profit or loss (FVTPL)			
– Quoted equity securities, at fair value	–	1,178	1,590
Non - current:			
Available-for-sale financial assets			
– Unquoted equity securities, at cost	–	–	194

	Company		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Current:			
Financial asset classified as measured at fair value through profit or loss (FVTPL)			
– Quoted equity securities, at fair value	–	1,178	1,590

Financial asset classified as measured at fair value through profit or loss:

	Group and Company		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Quoted equity shares, at cost	2,819	3,243	3,243
Disposal	–	(424)	–
Fair value adjustment	(2,819)	(1,641)	(1,653)
Quoted equity shares, at fair value	–	1,178	1,590

The FVTPL above pertain to investment in quoted equity securities of an electronics contract manufacturer in Singapore. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the reporting year (Level 1). The value of the investment was fully written down during the reporting year as the trading of the investee's equity securities are delisted by Singapore Stock Exchange.

19. Investment securities (cont'd)

Analysis of movement in fair value adjustment for marketable securities:

	Group and Company		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Balance at beginning of year	(1,641)	(1,653)	(2,421)
Fair value adjustment for the year (Note 7)	(1,178)	12	768
Balance at end of year	(2,819)	(1,641)	(1,653)

Unquoted equity securities:

In 2017, the subsidiary of the company, Scientific & Industrial Instrumentation Pte Ltd has disposed its investment of 19.9% of the issued and paid up capital of a Singapore private company, MSV Systems & Services Pte Ltd ("MSV"). The company has entered into a settlement agreement on 23 October 2017 with the majority shareholder of MSV for final settlement to sell off 40% of the shares in MSV for a consideration of US$1,000,000, in which equivalent to $1,358,900.

20. Inventories

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Finished goods			
As reported	12,627	13,800	9,353
Work in process	–	32	–
Goods in transit	2,365	30	–
	14,992	13,862	9,353
The amount of inventories included in cost of sales	26,730	25,605	20,453

21. Development property

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000 (Restated)	$'000
Land at cost	3,080	3,080	3,080
Interest expense capitalised	207	207	146
Other development expenditure	1,265	1,236	600
Land for development	4,552	4,523	3,826
Provision for diminution in value	(1,152)	(180)	(180)
	3,400	4,343	3,646

21. Development property (cont'd)

Movement in above provision for diminution in value:

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Balance at beginning of the year	180	180	180
Charged to profit or loss included in other loss (Note 7)	972	–	–
Balance at end of the year	1,152	180	180

Provision for diminution in value of $1,152,000 (2018: $180,000) was made on the development property subsequent to management's assessment of the recoverable amount of the property. The recoverable amount is determined based on the sale price agreed with a third party purchaser subsequent to the end of the reporting year (2018: based on the valuation report performed by Dennis Wee Realty Pte Ltd dated 1 March 2018). The Option to Purchase was signed with the third party purchaser on 5 September 2019.

Borrowing costs included in the cost of qualifying assets are as follows:

	Group		
	31.03.2019	31.03.2018	01.04.2017
Capitalisation rates per annum	Not applicable	2.72%	2.64%
	$'000	$'000	$'000
Borrowing costs capitalised included in additions during the year	–	62	61

The freehold land has been pledged as security for a bank loan (Note 29).

Details of the development property are as follow:

		Approximate Area (sq feet)				
Description and location	*Tenure*	*Land area*	*Gross floor area*	*Percentage of completion at 31 March 2019*	*Percentage of completion at 31 March 2018*	*Percentage of completion at 1 March 2017*
				%	%	%
A two and half (2.5) storey semi-detached house development at 71 Blandford Drive, Singapore	Freehold	2,600	3,800	100%	100%	35%

The property has obtained its temporary occupation permit and certificate of statutory completion for the two storey on 14 February 2018 and 7 June 2018 respectively.

22. Trade and other receivables

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Trade receivables:			
Outside parties	7,374	4,782	3,689
Less: Allowance for impairment	(385)	(376)	–
Tax recoverable	18	–	–
Net trade receivables – subtotal	7,007	4,406	3,689
Other receivables			
Deposits to secure services	60	80	116
Outside parties (a)	1,272	1,064	1,380
Less: Allowance for impairment	(464)	–	–
Net other receivables – subtotal	868	1,144	1,496
Total trade and other receivables	7,875	5,550	5,185
Presented as:			
Trade and other receivables, current	7,875	5,550	4,056
Trade and other receivables, non-current	–	–	1,129
	7,875	5,550	5,185

(a) Major component of other receivables from outside parties

The group entered into conditional agreement with Gadius Assets Pte. Ltd. ("Gadius") in February 2017 to jointly develop two strata bungalows at Punggol Seventeenth Avenue, Singapore. Based on the agreement, the company shall advance a sum of $3.2 million as working capital for Gadius to develop the 2 properties in expectation of a fixed and determinable return with a short period of time. The advance was guaranteed by Gadius and its shareholders for a minimum return of $3.31 million as well as an additional sum of $110,000 in cash by 30 September 2018.

The agreement was terminated during prior reporting year due to the disposal of the land by Gadius. Gadius repaid all cash advances to date except for the portion of the advance settled by ways of shares amounting to $829,319 which is recognised as other receivable. This amount was assigned to a former shareholder of Gadius during the prior reporting year. Management had determined that the recoverable amount of the receivable as at end of the reporting year is approximately $365,751. Hence, impairment of $463,568 was recognised.

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Movements in allowance for impairment on trade receivables:			
Balance at beginning of the year	376	–	–
Charged to profit or loss included in other losses (Note 7)	9	376	–
Balance at end of the year	385	376	–

22. Trade and other receivables (cont'd)

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Movements in above allowance for impairment on other receivables:			
Balance at beginning of the year	–	–	59
Charged / (credited) to profit or loss included in other losses (Note 7)	464	–	(12)
Written off	–	–	(47)
Balance at end of the year	464	–	–

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments.

The methodology applied for impairment loss for group's trade receivables due from outside parties is simplified approach to measuring expected credit losses. These receivables are considered to have low credit risk individually. At the end of the reporting year, no loss allowance is necessary except for the trade receivables amounted to $385,000 (31 March 2018: $376,000; 1 April 2017: Nil) that had been determined by management as credit impaired for which full impairment was recognised. There are no collateral held as security and other credit enhancements for these receivables except for the trade receivables are covered by letter of credit totalled Nil (31 March 2018: $202,559; 1 April 2017: Nil).

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade customers is about 30 days (2018: 30 days). No interest is charged on overdue balances.

The aging profile of group's trade receivables are as follows:

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Not past due	167	380	358
Past due for 1 to 30 days	2,067	1,941	1,455
Past due for 31 to 60 days	1,874	898	893
Past due for 61 to 90 days	591	382	294
Past due for 90 days	2,675	1,181	689
	7,374	4,782	3,689

The aging profile of group's trade receivables which are impaired are as follows:

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Past due more than 365 days	385	376	–

22. Trade and other receivables (cont'd)

Concentration of trade receivable customers as at the end of reporting year:

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$	$	$
Top 1 customer	417	202	404
Top 2 customers	677	336	541
Top 3 customers	906	454	911

The group's other receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. Except for the receivables from to a former shareholder of Gadius as disclosed in (a) of the previous page, the other receivables considered to have low credit risk. As at end of the reporting year, no loss allowance is necessary.

	Company		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Trade receivables:			
Outside parties	–	–	182
Other receivables			
Deposits to secure services	60	80	–
Outside parties	–	21	–
Subsidiaries	37,919	38,200	38,206
Less: Allowance for impairment of other receivables from subsidiaries	(19,853)	–	–
Net other receivables – subtotal	18,126	38,301	38,206
Total trade and other receivables, current	18,126	38,301	38,388

	Company		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Movements in above allowance for impairment of other receivables from subsidiaries:			
Balance at beginning of the year	–	–	–
Charged to profit or loss of the company	19,853	–	–
Balance at end of the year	19,853	–	–

The company's other receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. As the end of the reporting year, no loss allowance is necessary for the company's other receivables from subsidiaries except for the receivables amounting to $25,013,000 as the subsidiaries are not expected to commence operation in foreseeable future and is in capital deficit position (Note 17). Management had determined that the recoverable amount of these receivables as at end of the reporting year was approximately $5,160,000. Hence, impairment of $19,853,000 is recognised.

23. Other assets

	Group 31.03.2019 $'000	Group 31.03.2018 $'000	Group 01.04.2017 $'000
Deposits	381	5,662	5,114
Less: allowance for impairment	–	(234)	(247)
Prepaid expenses	634	1,292	735
	1,015	6,720	5,602

	Group 31.03.2019 $'000	Group 31.03.2018 $'000	Group 01.04.2017 $'000
Movements in above allowance for impairment on deposits:			
Balance at beginning of the year	(234)	(247)	–
Charged to profit or loss	–	13	(247)
Written off against allowance	234	–	–
Balance at end of the year	–	(234)	(247)

Included in the group's deposits as at 31 March 2018 and 1 April 2017 is a deposit paid amounting to $4,696,000 for an eco-fuel machine that had yet to be delivered. As at 31 March 2018 and 1 April 2017, cumulative impairment losses amounting to $234,000 and $247,000 respectively had been recognised as a result of impairment reviews performed by management previously. During the reporting year, management has fully written off the net carrying value of $4,462,000 for the similar reason as the two eco-fuel machines that were written off (Note 15).

	Company 31.03.2019 $'000	Company 31.03.2018 $'000	Company 01.04.2017 $'000
Deposits	–	–	107
Prepaid expenses	19	24	30
Cash and bank balances	19	24	137

24. Cash and cash equivalents

	Group 31.03.2019 $'000	Group 31.03.2018 $'000	Group 01.04.2017 $'000
Cash at bank	566	904	1,278
Cash in hand	41	27	69
Fixed deposits	2,651	2,172	1,778
Cash and bank balances	3,258	3,103	3,125

	Company 31.03.2019 $'000	Company 31.03.2018 $'000	Company 01.04.2017 $'000
Cash at bank	51	22	384
Short-term deposits	308	308	308
Cash and bank balances	359	330	692

24. Cash and cash equivalents (cont'd)

Cash at bank earn interest at floating rates based on daily bank deposit rates. Fixed deposits are made for varying periods of between one day and three months (2018: one day and three months) depending on the immediate cash requirements of the group, and earn interests at the respective fixed deposit rates. The interests earned range from 1.15% to 3.30% (31 March 2018: 1.15% to 3.30%; 2017: 1.15% to 3.30%) per annum.

At the end of the reporting period, restricted cash represented fixed deposits pledged to secure certain bank facilities amounted to approximately $2,502,172 (31 March 2018: $2,172,000; 1 April 2017: $1,098,000) (Note 29).

24A. Cash and cash equivalents in the consolidated statement of cash flows

		Group	
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Cash at bank and in hand and short term-term deposits			
– Continuing operations	3,258	3,103	3,125
– Discontinued operations (Note 13)	64	–	–
	3,322	3,103	3,125
Less: bank overdrafts (Note 29)	(1,828)	(1,199)	(1,012)
Less: restricted cash-pledged fixed deposits	(2,502)	(2,172)	(1,098)
Cash and cash equivalents	(1,008)	(268)	1,015

24B. Reconciliation of liabilities arising from financing activities

			Non-cash change	
	2018	Cash flows	Amount transferred to liabilities held for sale	2019
	$'000	$'000	$'000	$'000
Loans and borrowings (Bank loans and trade financings) (Note 29)	46,099	191	(1,748)	44,542
Finance lease liabilities (Note 29)	373	(153)	(4)	216

	2017	Cash flows	2018
	$'000	$'000	$'000
Loans and borrowings (Bank loans and trade financings) (Note 29)	41,746	4,353	46,099
Finance lease liabilities (Note 29)	533	(160)	373

25. Share capital

	Group and company	
	No. of shares issued	Share capital
	‘000	$’000
Ordinary shares of no par value:		
Balance at 1 April 2017	89,896	50,713
Issuance of shares pursuant to PSP	1,026	200
Balance at 31 March 2018 and 2019	90,922	50,913

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

Performance share plan

The company has a performance share plan approved by members of the company on 27 February 2015. It was established to increase the company’s flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees, executive directors and non-executive directors to achieve increased performance and to foster a greater ownership culture amongst key senior management, senior executives and non-executive directors.

There is no share granted under PSP during the reporting year and previous reporting year.

Capital management:

The objectives when managing capital are: to safeguard the financial entity’s ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

25. Share capital (cont'd)

The management monitors the capital on the basis of the debt-to-adjusted capital ratio, this ratio is calculated as net debt/adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Net debt:			
All current and non-current borrowings including finance leases	46,601	47,671	43,291
Less: Cash and bank balances (Note 24)	(3,258)	(3,103)	(3,125)
Net debt	43,343	44,568	40,166
Adjusted capital:			
Total equity	30,597	53,720	53,607
Debt-to-adjusted capital ratio	142%	83%	75%

There are significant borrowings but these are secured by specific assets. The debt-to-adjusted capital ratio may not provide a meaningful indicator of the risk from borrowings.

26. Treasury shares

	Group and company 2019	
	No. of shares issued	Share capital $'000
Balance at 1 April 2017	–	–
Acquired during the reporting year	634,600	99
Balance at 31 March 2018 and 31 March 2019	634,600	99

Treasury shares relate to ordinary shares of the company that is held by the company.

During the reporting year ended 31 March 2018, the company acquired 634,600 shares in the company through purchases on the Singapore Exchange. Consideration paid to purchase the shares amounted to $99,378 which was presented as a component within equity in the financial statements.

27. Other reserves

		Group	
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Foreign currency translation reserve	(228)	(75)	(148)
Share based payment reserve	–	–	188
Gain or loss on reissuance of treasury shares	(504)	(504)	(504)
Capital reserve	2,941	57	–
Others	2,507	2,507	2,562
	4,716	1,985	2,098

27. Other reserves (cont'd)

	Company		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Share based payment reserve	–	–	188
Gain or loss on reissuance of treasury shares	(504)	(504)	(504)
Others	149	149	149
	(355)	(355)	(167)

(a) Foreign currency translation reserve

Foreign currency translation reserve records 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.

(b) Share based payment reserve

The share based payment reserve represents the equity-settled shares granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled shares.

(c) Gain or loss on reissuance of treasury shares

This represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

(d) Capital reserve pertains to the followings:

- Revaluation surplus arising from the freehold land and building in May 2011, being transferred to capital reserve for the purpose of issuing bonus share.
- The premium received from non-controlling interest for acquisition of parts of non-controlling interest in subsidiaries, Supratechnic (M) Sdn. Bhd. and Scientific & Industrial Instrumentation Pte. Ltd. is amounting to $2,884,000 (Note 17B)

(e) Others - equity consideration

This represent the equity consideration paid/payable to the vendors in relation to the acquisition of Supratechnic Pte Ltd in 2016.

Movements in the above other reserves are disclosed in the statements of changes in equity.

28. Other payables, non-current

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Deferred consideration	–	–	1,500
Security deposit	256	383	475
	256	383	1,975

	Company		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Loan from a subsidiary	–	–	800

Deferred consideration is part of the purchase consideration for acquisition of Supratechnic Pte Ltd during the reporting year ended 31 March 2016. The deferred consideration consists of cash consideration of S$750,000 and share consideration of 15 million number of shares (1.5 million number of consolidated shares), which is due after 3rd anniversary of completion date of acquisition on 11 March 2016. The balance of the deferred consideration of $991,500 has been reclassified to current payables (Note 31).

The loan from a subsidiary was unsecured, bore interest at 5% per annum and repayable in March 2019. This loan remains unpaid as at 31 March 2019. The balance of loan from subsidiary is reclassified to current payables (Note 31).

29. Other financial liabilities

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Non–current:			
Bank loan (Note 29A)	2,727	30,818	30,940
Bank loan I	303	440	197
Bank loan II	–	313	301
Bank loan III	264	298	333
Bank loan IV	1,623	1,763	1,901
Bank loan V	–	4,673	4,183
Bank loan VI	–	1,439	2,372
Bank loan VII	–	163	230
Ban loan IX	–	19,951	21,193
Bank loan X	–	1,608	–
Bank loan XI	–	170	230
Bank loan XII	537	–	–
Finance lease liabilities (Note 29B)	141	246	346
	2,868	31,064	31,286

29. Other financial liabilities (cont'd)

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Current:			
Bank loans (Note 29A)	30,580	6,590	6,037
Bank loan I	1,054	1,051	43
Bank loan III	29	27	27
Bank loan IV	140	121	129
Bank loan V	4,699	280	1,046
Bank loan VI	–	952	819
Bank loan VII	–	70	70
Bank loan VIII	2,320	2,320	2,320
Ban loan IX	20,281	1,544	1,523
Bank loan X	1,611	165	–
Bank loan XI	181	60	60
Bank loan XII	265	–	–
Finance lease liabilities (Note 29B)	75	127	187
Bank overdrafts (Note 29C)	1,828	1,199	1,012
Trade financings (Note 29D)	11,235	8,691	4,769
Derivative financial instruments (Note 30)	15	–	–
	43,733	16,607	12,005
	46,601	47,671	43,291

29A. Bank loans

Loan I — this term loan is secured by mortgage over certain leasehold property (Note 15) of Scientific & Industrial Instrumentation Pte. Ltd., personal guarantee by a former director of the company and corporate guarantee by the company. The 5-year term-loan is repayable over monthly instalments (comprising principal and interest) with final repayment in 2022. The loan bears floating interest rate ranging from 3.26% to 3.95% (31 March 2018: 3.01% to 3.26%; 1 April 2017: 5.85% to 6.5%) per annum calculated on a monthly rest basis. The loan is denominated in Singapore Dollar.

Loan II — is secured by PT Supratechnic Instrumentasi Indonesia and on a first legal charge over a leasehold building of the subsidiary (Note 15) and bears fixed interest rate at 13.5% per annum. The effective interest rate was 13.71% per annum. The loan is denominated in Indonesian Rupiah. The loan has been fully repaid during the reporting year.

Loan III — is secured by Semangat Hitech Sdn. Bhd. on a first legal charge over its property (Note 15), deed of assignment of rental proceeds and corporate guarantee from Supratechnic (M) Sdn Bhd. The loan bears floating interest rate at 1.25% per annum above the bank's prevailing base lending rate and is repayable by monthly instalments over 15 years with final repayment in Jan 2028. The effective interest rate was 3.93% (31 March 2018: 3.80%; 1 April 2017: 3.62%) per annum. The loan is denominated in British Pound.

29. Other financial liabilities (cont'd)

29A. Bank loans (cont'd)

Loan IV is secured by Supratechnic (M) Sdn Bhd on certain properties of the subsidiaries and a third party, fixed deposits of the subsidiary (Note 24) and corporate guarantee by Supratechnic Pte Ltd. The loan bears interest rates ranging from 1.00% to 1.25% per annum above the bank's prevailing base lending rate and is repayable by monthly instalments over 15 years commenced in 2014. The effective interest rate was 4.73% (31 March 2018: 4.73%; 1 April 2017: 4.73%) per annum. The loan is denominated in Malaysian Ringgit.

Loan V is secured by USPI Investment Pte Ltd on mortgage over certain leasehold properties (Note 15), personal guarantee by a former director of the company, corporate guarantee by the company, first fixed charge over 100% shares in the share capital of Supratechnic Pte Ltd and USPI Investment Pte Ltd, and a fixed and floating charge over Supratechnic's Pte Ltd's present and future undertakings, property assets, revenues and rights. The 5-year term loan is repayable over 60 monthly instalments (comprising principal and interest) from May 2016 and amortised over 16 years loan profile with final bullet payment at the end of loan maturity date in 2021. The loan bears interest at 2.00% per annum over the applicable 3-month SWAP Offer Rate ("SOR") or 2.00% per annum over the prevailing 3-month Cost of Funds ("COF"), whichever is the higher, or at such other rates as the bank may stipulate from time to time at its absolute discretion. The effective interest rates range from 3.53% to 3.96% (31 March 2018: 2.97% to 3.53%; 1 April 2017: 2.89% to 3.19%) per annum. The loan is denominated in Singapore Dollar.

Loan VI is secured by Biofuel Research Pte Ltd on mortgage over the leasehold property (Note 15) and corporate guarantee by the company. The 5-year term loan is repayable over 60 monthly instalments (comprising principal and interest) with final repayment due on August 2021. The loan bears interest of 1.65% per annum over the applicable 3-month SOR or 1.65% per annum over the prevailing 3-month COF, whichever is the higher for the 1st year and 1.65% per annum over the applicable 3-month SOR or 1.65% per annum over the prevailing 3-month COF, whichever is the higher for the 2nd year. Interest applicable in the 3rd year and thereafter is 0.75% per annum over the bank's commercial financing rate of 5.10% per annum, which is subject to revision at the bank's absolute discretion at any time and from time to time without prior notice. The effective interest rates range from 2.62% to 7.00% (31 March 2018: 2.62% to 6.50%; 1 April 2017: 2.55% to 2.85%) per annum. The loan is denominated in Singapore Dollar. The loan is transferred to liabilities held for sale during the reporting year (Note 13).

Loan VII Is secured by Biofuel Research Pte Ltd and bears interest at fixed rate of 6.25% per annum. It is secured by first legal mortgage on leasehold property (Note 15), corporate guarantee by ultimate holding company and personal guarantee by a former director of the company. It is repayable over 60 monthly instalment from January 2018 and with final repayment in 2021. The loan is transferred to liabilities held for sale during the reporting year (Note 13).

29. Other financial liabilities (cont'd)

29A. Bank loans (cont'd)

Loan VIII is secured by USP Properties Pte. Ltd. on mortgage over the development property (Note 21) and corporate guarantee by the company. The loan is repayable in one lump sum on 30 September 2019 (2018: 30 September 2018; 01.04.2017: repayable over 5 years from April 2016). The loan bears interest of 1.65% per annum over the bank's COF or 1.65% per annum over the applicable SOR as determined by the bank whichever is the higher; or at such other rate at the sole discretion of the bank for an interest period of 3 months. Effective interest rate was 3.60% (31 March 2018: 2.80%; 1 April 2017: 2.64%) per annum. The loan is denominated in Singapore Dollar

Loan IX is secured by USPP Woodlands Pte Ltd on mortgage over certain investment properties (Note 16), legal assignment of rental proceeds or charge over rental account to be executed of all current and future rental income from the investment property, personal guarantee by a former director of the company, corporate guarantee by the company, first fixed charge over 100% shares in the share capital of Koon Cheng Development Pte Ltd and fixed and floating charge over Koon Cheng Development Pte Ltd's present and future undertakings, property assets, revenues and rights and a charge over the debt servicing reserve account maintained with the bank with balance of not less than $250,000. The 16-year term loan is repayable over 192 monthly instalments (comprising principal and interest) with final repayment in 2032. The loan bears interest at 2.00% per annum over the applicable 3-month SOR or 2.00% per annum over the prevailing 3-month COF, whichever is the higher, or at such other rates as the bank may stipulate from time to time at its absolute discretion. The effective interest rate was 3.08% (31 March 2018: 3.02%; 1 April 2017: 2.87%) per annum. The loan is denominated in Singapore Dollar.

During the previous reporting year, the company has exchanged the variable swap offer rate with fixed interest rate by entering into interest rate swap agreement with a bank whereby it receives interest at variable swap offer rate and pays interest at a fixed rate at 1.99% per annum. The information of interest rate swap is disclosed in Note 30.

Loan X is secured by mortgage over certain leasehold property (Note 15), personal guarantee by a former director of the company and corporate guarantee by the ultimate holding company. The 10-year commercial property loan is repayable over monthly instalments (comprising principal and interest) with final repayment in October 2027. The loan bears interest of 1.50% per annum over the prevailing 3-month Singapore Inter Bank Offer Rate ("SIBOR") or Cost of Funds ("COF") whichever is higher in the first 3 years, thereafter the interest shall be at the bank's commercial financing rate of 5.75% per annum. The effective interest rate was 3.18% (31 March 2018: 2.78%; 1 April 2017: Nil) per annum. The loan is denominated in Singapore Dollar.

29. Other financial liabilities (cont'd)

29A. Bank loans (cont'd)

Loan XI is secured by mortgage over certain leasehold property (Note 15), personal guarantee by a former director of the company and corporate guarantee by the ultimate holding company. The loan bears interest of 1.50% per annum over the prevailing 3-month Singapore Inter Bank Offer Rate ("SIBOR") or Cost of Funds ("COF") whichever is higher in the first 3 years, thereafter the interest shall be at the bank's commercial financing rate of 5.75% per annum. The loan is repayable by monthly instalments over 5 years commenced in 2017. The effective interest rate was 3.18% (31 March 2018: 2.78%; 1 April 2017: 4.80%) per annum. The loan is denominated in Singapore Dollar.

Loan XII is secured by PT Supratechnic Instrumentasi Indonesia and on a first legal charge over a leasehold building of the subsidiary (Note 15) and bears effective interest rate at 9.5% per annum. The loan is denominated in Indonesian Rupiah.

29B. Finance lease liabilities

The group enters into a finance lease for certain plant and equipment for a lease term up to 7 years (2018: 7 years). The average discount rate implicit in the lease obligation is 5.22% (2018: 5.22%) per annum. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

Group 31.03.2019	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	90	(15)	75
Due within 2 to 5 years	162	(21)	141
Total	252	(36)	216
Carrying value of plant and equipment under finance leases			138

Group 31.03.2018	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	156	(29)	127
Due within 2 to 5 years	299	(53)	246
Total	455	(82)	373
Carrying value of plant and equipment under finance leases			295

29. Other financial liabilities (cont'd)

29B. Finance lease liabilities (cont'd)

Group 01.04.2017	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	213	(26)	187
Due within 2 to 5 years	361	(38)	323
Due after 5 years	25	(2)	23
Total	599	(66)	533
Carrying value of plant and equipment under finance leases			702

29C. Bank overdrafts

Bank overdrafts bear interest rates ranging from 1% to 1.25% (31 March 2018: 1% to 1.25%; 1 April 2017: 0.5% to 1.25%) per annum above the prevailing prime lending rate of various banks and are secured by the subsidiary's leasehold properties and joint and several personal guarantees of the directors of the company and subsidiaries.

29D. Trade financings

Trade financings bear interest rates ranging from 2.00% to 6.90% (31 March 2018: 2.00% to 6.90%; 1 April 2017: 1.55% to 7.85%) per annum for the group and matured approximately within 1 to 3 months (31 March 2018: 1 to 3 months; 1 April 2017: 1 to 3 months) from the end of the reporting period.

Trade financings are secured by:

- certain subsidiaries' leasehold properties;
- joint and several personal guarantees of the directors of the company and subsidiaries;
- negative pledge and the legal mortgage of the subsidiaries' freehold and leasehold properties;
- corporate guarantee provided by ultimate holding company;
- pledged of subsidiaries' fixed deposits (Note 24); and
- deed of assignment of rental proceeds from a subsidiary.

29E. Breach of covenant

As at 31 March 2019, certain subsidiaries have breached its loan covenant as the company, who is the corporate guarantor, did not fulfil the requirement to maintain a minimum consolidated tangible net worth of $40 million. As a result, the bank is contractually entitled to request for immediate repayment of the outstanding loan amounts of $26,773,000 from continuing operations and of $1,749,000 from discontinued operations in which $25,419,000 of totality are due after 12 months from the end of the reporting year. The non-current bank loans of discontinued operations amounted to $721,000 at the end of the reporting year were classified as liabilities of a disposal group held for sale under current liabilities in accordance with the requirement of SFRS (I) 5, *Non-current Assets Held for Sale and Discontinued Operations*. Consequently, the non-current bank loans of continuing operations amounted to $24,697,000 at the end of the reporting year were classified as current liabilities in accordance with the requirement of SFRS (I) 1-1, *Presentation of Financial Statements.*

The breach was not remediated before the financial statements were authorised for issue.

30. Derivative financial instruments

	Group 31.03.2019 $'000	31.03.2018 $'000	01.04.2017 $'000
Liabilities –			
Derivatives with negative fair values:			
Interest rate swap contracts (Note 29A)	15	–	–

The purpose of this contract is to convert floating interest rate of banks borrowing at 3 month swap offer rate +2% per annum (Note 29A) to fixed rate at 1.99% per annum. As a matter of principle, the company does not enter into derivative contract for speculative purposes.

The notional amount of the interest rate swap was $12,000,000. They are designed to convert floating rate borrowings at 3 month swap offer rate +2% per annum (Note 10) to fixed rate exposure at 1.99% per annum for the next 3 years.

Information on the maturity of the interest rate swap contract is provided as follows:

	Principal	Reference currency	Maturity	Group 31.03.2019 $'000	31.03.2018 $'000	01.04.2017 $'000
Interest rate swap	$12,000,000	Singapore Dollar	19 May 2020	15	–	–

The fair value (Level 2) of interest rate swaps is measured on the basis of the current value of the difference between the contractual interest rate and the market rate at the end of the reporting year. The valuation technique uses market observable inputs.

31. Trade and other payables

	Group 31.03.2019 $'000	31.03.2018 $'000	01.04.2017 $'000
Trade payables:			
Outside parties and accrued liabilities	4,451	3,463	2,334
Other payables:			
Deposit received	972	1,537	922
Deferred consideration	992	992	–
Outside parties	1,029	379	356
	2,993	2,908	1,278
Total trade and other payables	7,444	6,371	3,612

31. Trade and other payables (cont'd)

Deferred consideration is part of the purchase consideration for acquisition of Supratechnic group. The deferred consideration consists of cash consideration of S$750,000 and share consideration of 15 million number of shares (1.5 million number of consolidated shares). The deferred consideration was due on 11 March 2019. On 28 March 2019, the company's ultimate parent company has made an application to Singapore Exchange Limited ("SGX") for the issuance of 1.5 million consolidated shares to be register in vendor's name. As at end of the reporting year, the application is pending to be approved by SGX and the cash consideration remained unpaid.

Included in other payables to subsidiaries is a loan from a subsidiary which is unsecured, bear an interest of 5% per annum and repayable in March 2019. This loan remains unpaid as at 31 March 2019.

		Company	
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Trade payables:			
Outside parties and accrued liabilities	–	200	124
Other payables:			
Outside parties	516	655	38
Subsidiaries (Note 3C)	1,816	1,350	308
	2,332	2,005	346
Total trade and other payables	2,332	2,205	470

32. Other liabilities

		Group	
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Advance rental received	–	–	9
Deferred lease income	–	42	18
Deferred rent payable	68	639	506
	68	681	533

33. Contingent liabilities

On 3 May 2019, Mr. Joshua Huang Thien En (the "Plaintiff") commenced High Court Suit No. 453 of 2019 (the "Suit") against the company. The Suit was brought pursuant to the terms of a Share Purchase Agreement dated 12 December 2015 on the acquisition of Supratechnic Pte Ltd, and sought the following relief against the company: (a) payment of the sum of $250,000; (b) payment of the further sum of $750,000; (c) interest; (d) costs; and (e) such further and other relief as the Court deems fit. The company paid the sum of $250,000 to the Plaintiff on 24 June 2019. A court hearing has been fixed on 19 September 2019. As at date of the financial statements, management is unable to determine the quantum of the financial exposure, if any.

34. Operating lease commitments – as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Not later than one year	404	946	547
Later than one year but not later than five years	516	2,423	969
Later than five years	1,977	3,769	27
	2,897	7,138	1,543
Rental expense for the year	350	304	809

The group has entered into commercial leases on plant, machineries, office premises and land and these leases have terms ranging from 2 to 22 years (31 March 2018: 2 to 22 years; 1 April 2017: 2 to 27 years). There are no restrictions placed upon the group by entering into these leases. These non-cancellable leases have varying terms, escalation clauses and renewal rights.

As at 31 March 2019, the total operating lease commitments of the discontinued operations are $5,847,145.

35. Operating lease commitments – as lessor

At the end of the reporting year the total of future minimum lease receivables commitments under non-cancellable operating leases are as follows:

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Not later than one year	2,448	1,288	1,558
Later than one year but not later than five years	1,266	1,636	1,745
	3,714	2,924	3,303
Rental income for the year	2,711	2,730	2,793

The group has entered into commercial property leases on its investment property. These non-cancellable leases have average lease terms of 1 to 2 years (31 March 2018: 2 years; 1 April 2017: 2 years) and escalation clause to enable upward revision of the rental charge rate on prevailing market conditions.

36. Financial instruments: information on financial risks

36A. Categories of financial assets and liabilities

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Financial assets:			
Financial assets at amortised cost	11,115	8,653	8,310
Financial assets at fair value through profit or loss	–	1,178	1,784
	11,115	9,831	10,094
Financial liabilities:			
Financial liabilities at amortised cost	54,286	54,425	48,878
Derivative financial instruments at fair value	15	–	–
	54,301	54,425	48,878

	Company		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Financial assets:			
Financial assets at amortised cost	18,485	38,631	39,080
Financial assets at fair value through profit or loss	–	1,178	1,590
	18,485	39,809	40,670
Financial liabilities:			
Financial liabilities at amortised cost	2,332	2,205	1,270

36B. Financial risk management

The group and the company is exposed to financial risks arising from its operations and the use of financial instruments. The group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations. The group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, accruals and loans and borrowings which arise directly from its operations. The group may enter into derivative transactions, including commodity futures contracts. The purpose is to manage the price risks arising from the group's operations.

The main risks arising from the group's financial instruments are interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk. The Board reviews and agrees policies for managing risks and they are summarised below.

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures the risks.

36. Financial instruments: information on financial risks (cont'd)

36C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and the fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

There was no transfer from Level 1 and Level 2 to Level 3 during the reporting year ended 31 March 2019 and 31 March 2018.

(i) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group											
	31.03.2019				31.03.2018				01.04.2017			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant un-observable inputs (Level 3)	Total	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant un-observable inputs (Level 3)	Total	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant un-observable inputs (Level 3)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:												
Financial asset at fair value through profit or loss:–												
Investment securities (Note 19)	–	–	–	–	1,178	–	–	1,178	1,590	–	–	1,590

36. Financial instruments: information on financial risks (cont'd)

36C. Fair values of financial instruments (cont'd)

(ii) Level 3 fair value measurements

Valuation policies and procedures

The senior management of the group (the "Management") oversees the group's financial reporting valuation process and is responsible for setting and documenting the group's valuation policies and procedures. In this regard, the Management reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the group's policy to engage external valuation experts to perform the valuation. The Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS (I) 13 fair value measurement guidance to perform the valuation. For valuations performed by external valuation experts, the Management reviews the appropriateness of the valuation methodologies and assumptions adopted. The Management also evaluates the appropriateness and reliability of the inputs used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the group with third parties as appropriate) that are relevant to the valuation is such information are reasonably available. For valuation that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross checks.

Significant changes in fair value measurements from period to period are evaluated by the Management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(iii) Fair value of financial instruments whose carrying amounts approximate their fair values

Management has determined that the carrying amounts of trade and other receivables, cash and cash equivalents and trade and other payables reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently to market interest rates.

36. Financial instruments: information on financial risks (cont'd)

36D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks and receivables. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Further details of credit risks on trade and other receivables are disclosed in Note 22.

Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. Cash at bank and short-term deposits disclosed in Note 24 is held with creditworthy financial institutions. There was no identified impairment loss.

36. Financial instruments: information on financial risks (cont'd)

36E. Liquidity risk – financial liabilities maturity analysis

Liquidity risk is the risk that the group or the company will encounter difficulty in meeting financial obligations due to shortage of funds. The group's and the company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The group finances its working capital requirements through funds generated from operations and external bank loan.

The following table analyses financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Group				
31.03.2019:				
Financial liabilities:				
Trade and other payables	6,828	269	–	7,097
Other financial liabilities	19,732	16,219	16,074	52,025
	26,560	16,488	16,074	59,122
31.03.2018:				
Financial liabilities:				
Trade and other payables	6,369	384	–	6,753
Other financial liabilities	18,340	16,272	17,318	51,930
	24,709	16,656	17,318	58,683
01.04.2017:				
Financial liabilities:				
Trade and other payables	3,612	2,180	–	5,792
Other financial liabilities	12,902	19,152	17,339	49,393
	16,514	21,332	17,339	55,185

	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Company				
31.03.2019:				
Trade and other payables	2,332	–	–	2,332
31.03.2018:				
Trade and other payables	2,205	–	–	2,205
01.04.2017:				
Trade and other payables	470	800	–	1,270

36. Financial instruments: information on financial risks (cont'd)

36E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Bank facilities

At the end of the reporting year, the group has undrawn available credit facilities with certain banks of $9,237,757 (2018: $11,910,251).

36F. Interest rate risk

The interest rate risk exposure is from changes in fixed rate and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Financial liabilities:			
Fixed rates	21,299	21,741	6,601
Floating rates	25,287	25,930	36,690

	Company		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
Financial liabilities:			
Fixed rates	–	–	800
Floating rates	–	–	–

Sensitivity analysis:

	Group		
	31.03.2019	31.03.2018	01.04.2017
	$'000	$'000	$'000
A hypothetical variation in floating interest rate by 100 basis points with all other variables held constant, would have an increase / decrease in pre-tax loss for the year by	253	259	367

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on profit or loss. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

The company is not exposed to significant interest rate risk as it does not have financial liabilities carry at floating interest rate.

36G. Equity price risk

Price risk is the risk that the fair value or future cash flows of the group's financial instruments will fluctuate because of changes in market prices (other than interest and exchange rates). As at end of the reporting year, the group is not exposed to significant equity price risk.

36. Financial instruments: information on financial risks (cont'd)

36H. Foreign currency risks

Analysis of amounts denominated in non-functional currency at the end of the reporting year is as follow:

	United State Dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Total $'000
31.03.2019:				
Financial assets:				
Cash and cash equivalents	8	7	2,291	2,306
Financial assets measured at amortised costs	18	–	271	289
Total financial assets	26	7	2,562	2,595
31.03.2019:				
Financial liabilities:				
Trade and other payables	(2,998)	(502)	(188)	(3,688)
Other financial liabilities	(7,375)	(751)	(3,132)	(11,258)
Total financial liabilities	(10,373)	(1,253)	(3,320)	(14,946)
Net financial liabilities	(10,347)	(1,246)	(758)	(12,351)

	United State Dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Total $'000
31.03.2018:				
Financial assets:				
Cash and cash equivalents	37	8	1,941	1,986
Financial assets measured at amortised costs	203	–	3,116	3,319
Total financial assets	240	8	5,057	5,305
31.03.2018:				
Financial liabilities:				
Trade and other payables	(2,018)	(197)	(467)	(2,682)
Other financial liabilities	(5,212)	(1,233)	(5,356)	(11,801)
Total financial liabilities	(7,230)	(1,430)	(5,823)	(14,483)
Net financial liabilities	(6,990)	(1,422)	(766)	(9,178)

36. Financial instruments: information on financial risks (cont'd)

36H. Foreign currency risks (cont'd)

	United State Dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Total $'000
01.04.2017:				
Financial assets:				
Cash and cash equivalents	12	8	1,695	1,715
Loans and receivables	–	38	–	38
Total financial assets	12	46	1,695	1,753
01.04.2017:				
Financial liabilities:				
Trade and other payables	(15,713)	–	(824)	(16,537)
Other financial liabilities	(2,268)	–	(438)	(2,706)
Total financial liabilities	(17,981)	–	(1,262)	(19,243)
Net financial assets/(liabilities)	(17,969)	46	433	(17,490)

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

	31.03.2019 $'000	31.03.2018 $'000	01.04.2017 $'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against US$ with all other variables held constant would have a favourable effect on pre-tax profit of	1,034	699	1,797
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against JPY with all other variables held constant would have a favourable/(adverse) effect on pre-tax profit of	125	142	(5)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against MYR with all other variables held constant would have an adverse effect on pre-tax profit of	76	77	(43)

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

37. Event subsequent to the reporting date

On 16 July 2019, the company incorporated a wholly-owned subsidiary, Max Financial Pte Ltd, a company incorporated in Singapore with an issued and paid-up share capital of $400,000.

38. Restatement of comparative figures

During the reporting year, management discovered that the carrying amount of the development property was overstated as at end of the previous reporting year. This is due to additional buyer's stamp duty expenses amounting to $140,000 which shall be expensed off were capitalised as part of the costs of the development property. Restatements have been made to the previous reporting year's financial statements to adjust for the overstatement as follows:

	After restatement	Before restatement	Difference
	$'000	$'000	$'000
Statement of profit or loss and other comprehensive income for reporting year end 31 March 2018			
Administrative expenses	(13,013)	(12,873)	(140)
Statement of Financial Position as at 31 March 2018			
Development property	4,343	4,483	(140)
Accumulated losses	(2,173)	(2,033)	(140)

As is required by SFRS(I) 1-8 the statement of financial position at the end of the current reporting year and the beginning and end of the preceding reporting year are presented. Related notes relating to the above balances only (that were restated in the statement of financial position) are also presented. Apart from these disclosures, other balances and notes are not impacted.

(In Singapore Dollars)

39. Changes and adoption of financial reporting standards

The group first adopted SFRS(I)s from 1 April 2018 with a date of transition to SFRS(I)s of 1 April 2017. The 2018 financial statements were prepared in accordance with the Singapore Financial Reporting Standards. In the first set of SFRS(I)s financial statements for the reporting year ended 31 March 2019, an additional opening statement of financial position as at date of transition of 1 April 2017 is presented, together with related notes. There was no material impact to the group's financial statements and previous accounting policies upon the adoption of SFRS(I)s.

For the current reporting year, new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

SFRS (I) No.	Title
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers. Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

(In Singapore Dollars)

40. New or amended standards in issue but not yet effective

For the future reporting years, certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the group for future reporting years are listed below:

SFRS (I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes	1 January 2019
SFRS(I) 1-23	Improvements (2017) – Amendments: Borrowing Costs	1 January 2019

The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards will have on the group's financial statements in the period of initial application.

SFRS(I) 16 Leases:
The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessor, the accounting remains largely unchanged. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of the new reporting standard on leases is not expected to have a material impact on the amounts recognised in the financial statements. For the lessee almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the group's non-cancellable operating lease commitments as at 31 March 2019 shown in Note 34, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under the new reporting standard on leases. Thus, the group will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. However, it is not practicable to provide a reasonable financial estimate of that effect until the detailed review by management is completed.

SHAREHOLDERS INFORMATION

As at 2 September 2019

Class of shares	:	Ordinary Shares
Number of shares issued (including Treasury Shares)	:	90,922,003
Number of shares issued (excluding Treasury Shares)	:	90,287,403
Number/Percentage of Treasury Shares)	:	634,600 (0.70%)
Number/Percentage of Subsidiary Holdings	:	NIL
Voting rights (excluding Treasury Shares)	:	One vote for per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 99	32	1.56	932	0.00
100 - 1,000	541	26.34	348,179	0.38
1,001 - 10,000	1,163	56.62	4,981,356	5.52
10,001 - 1,000,000	308	14.99	16,807,614	18.62
1,000,001 and above	10	0.49	68,149,322	75.48
	2,054	100.00	90,287,403	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	%(1)	No. of Shares	%(1)
Substantial Shareholders (other than Directors)				
Bestway Premium Investments Pte Ltd	7,301,455	8.09	–	–
Gun Kai Chong	4,410,000	4.88	490,000	5.42
Li Hua	3,738,700	4.14	12,800,000	14.18
Oon Koon Cheng	12,868,816	14.25	13,157,894	14.57
Sunmax Global Capital Fund 1 Pte Ltd	–	–	12,800,000	14.18

SHAREHOLDERS INFORMATION

As at 2 September 2019

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Citibank Nominees Singapore Pte Ltd	13,791,888	15.28
2.	DBS Vickers Securities (S) Pte Ltd	12,902,400	14.29
3.	Oon Koon Cheng	12,868,816	14.25
4.	Bestway Investments Asia Pte. Ltd.	7,301,455	8.09
5.	Gun Kai Chong	4,900,000	5.42
6.	Kwek Chng Sun Lionel (Guo Zhengsheng)	4,252,920	4.71
7.	Li Hua	3,738,700	4.14
8.	Zeng Fuzu	1,799,362	1.99
9.	DBS Nominees Pte Ltd	1,377,399	1.53
10.	Tan Kay Toh or Yu Hea Ryeong	978,140	1.09
11.	Yap Keng Ann (Ye Jingan)	706,382	0.78
12.	Raphael Tham Wai Mun	625,000	0.69
13.	UOB Kay Hian Pte Ltd	553,480	0.61
14.	Maybank Kim Eng Securities Pte. Ltd	535,650	0.60
15.	OCBC Securities Private Ltd	506,486	0.56
16.	Phillip Securities Pte Ltd	383,145	0.43
17.	Sim Teck Huat	380,100	0.42
18.	United Overseas Bank Nominees Pte Ltd	370,189	0.41
19.	Teo Chor Kok	310,000	0.34
20.	Tee Chng Kin @ Teh Chng Kin	301,400	0.33
		68,582,912	75.96

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

44.26% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **USP GROUP LIMITED** (the "**Company**") will be held at 16A Joo Koon Circle Singapore 629048 on Monday, 30 September 2019 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2019 ("**FY2019**") together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Regulations 89 and 88 of the Company's Constitution.

   Ms Nah Ee Ling (Retiring pursuant to Regulation 89) **(Resolution 2)**
   [See Explanatory Note (i)]

   Mr Er Kwong Wah (Retiring pursuant to Regulation 88) **(Resolution 3)**
   [See Explanatory Note (ii)]

3. To approve the payment of Directors' fees of S$200,000 for the year ending 31 March 2020, to be paid quarterly in arrears (FY2019: S$200,000). **(Resolution 4)**

4. To re-appoint RSM Chio Lim LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To appoint and elect Mr Siew Chen Yei as a Non-Executive Director of the Company with immediate effect.
   [See Explanatory Note (iii)] **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

7. **AUTHORITY TO ALLOT AND ISSUE SHARES**

   That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and in accordance with Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion, deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of Share awards which are outstanding or subsisting at the time this Resolution is passed; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] **(Resolution 7)**

8. **AUTHORITY TO GRANT AWARDS AND/OR ISSUE SHARES UNDER THE PERFORMANCE SHARE PLAN**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be authorised and empowered to grant awards ("**Awards**") in accordance with the provisions of the Company's Performance Share Plan ("**Share Plan**") and to issue from time to time such number of fully-paid shares in the capital of the Company as may be required to be issued pursuant to the vesting of the Awards under the Share Plan, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Share Plan shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (v)] **(Resolution 8)**

9. **RENEWAL OF SHARE PURCHASE MANDATE**

That:

(a) for the purposes of the Companies Act, Chapter 50 of Singapore (the "**Act**") and the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the issued ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined) during the Relevant Period, at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases ("**Market Purchases**") transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("**Off-Market Purchases**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other provisions of the Act and the Listing Manual of the SGX-ST as may for the time being be applicable (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law or the Constitution of the Company to be held;

(ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by the shareholders of the Company in a general meeting;

(c) in this Resolution:

"**Prescribed Limit**" means that number of Shares representing 10% of the issued ordinary share capital as at the date of the passing of this Resolution, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Act at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered;

"**Relevant Period**" means the period commencing from the date on which the Annual General Meeting at which this Resolution is passed and expiring on the date the next Annual General Meeting is held or is required by law or the Constitution of the Company to be held, whichever is the earlier, after the date of this Resolution; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105% of the Average Closing Price;

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme: 120% of the Average Closing Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the day of the making of the offer pursuant to an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-market day period; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (vi)] **(Resolution 9)**

By Order of the Board

Nah Ee Ling
Executive Director

Singapore, 13 September 2019

Explanatory Notes on Resolutions to be passed:

(i) Pursuant to Rule 720(6) of the Listing Manual, further information on Ms Nah Ee Ling is set out on Page 3 of the Company's Annual Report.

(ii) Mr Er Kwong Wah will, upon re-election remain as Chairman of the Audit and Risk Management Committee, a member of the Nominating Committee and Remuneration Committee of the Company. Mr Er Kwong Wah will be considered independent for the purposes of the Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. Pursuant to Rule 720(6) of the Listing Manual, further information on Mr Er Kwong Wah is set out on Page 3 of the Company's Annual Report.

(iii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

(iv) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue from time to time such number of fully-paid shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards granted or to be granted under the Share Plan. The aggregate number of shares which may be issued pursuant to the Share Plan and any other share plan which the Company may have in place shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time.

(v) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the next Annual General Meeting to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution is set out in the Appendix dated 13 September 2019 to the Annual Report 2019.

Notes:

(1) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) Any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

(3) A corporation which is a member of the Company may, by resolution of its directors, authorise any person to act as its representative at the Annual General Meeting of the Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual member of the Company.

(4) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 38 Beach Road, #29-11 South Beach Tower, Singapore 189767, not less than forty-eight (48) hours before the time set for holding the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

USP GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No: 200409104W)

IMPORTANT
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Annual General Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, CPF and SRS Investors shall be precluded from attending the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. Please read the notes to the Proxy Form.

PROXY FORM

I/We ______________________________ NRIC/Passport/Co. Registration No. ____________________

of ____

being a member/members of **USP Group Limited** hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "**AGM**") of the Company to be held at 16A Joo Koon Circle Singapore 629048 on Monday, 30 September 2019 at 9.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

Voting would be conducted by poll. Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.

No.	Resolutions Relating To:	For	Against
AS ORDINARY BUSINESS			
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 March 2019 and the Auditors' Report thereon		
2	Re-election of Ms Nah Ee Ling as a Director		
3	Re-election of Mr Er Kwong Wah as a Director		
4	Approval of Directors' fees of S$200,000 for the year ending 31 March 2020		
5	Re-appointment of RSM Chio Lim LLP as Auditors		
6	Appointment and Election of Mr Siew Chen Yei as a Non-Executive Director		
AS SPECIAL BUSINESS			
7	Authority to allot and issue shares		
8	Authority to grant awards and/or issue shares under the Performance Share Plan		
9	Renewal of Share Purchase Mandate		

Dated this __________ day of ____________________ 2019

Total Number of Shares Held

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his behalf at the AGM. Where a member appoints more than one (1) proxy, the proportion of his shareholding to be represented by each proxy shall be specified, failing which, the nomination shall be deemed to be alternative.

3. A proxy need not be a member of the Company.

4. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Chapter 50, who is either:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act, Chapter 289 and holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

   You are entitled to appoint one (1) or more proxies to attend and vote at the AGM. Where such member's form of proxy appoints more than two (2) proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming AGM.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 38 Beach Road, #29-11 South Beach Tower, Singapore 189767 not less than forty-eight (48) hours before the time set for holding the AGM.

6. The instrument appointing a proxy or proxies shall be in writing and signed by the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. The dispensation of the use of common seal pursuant to Sections 41A, 41B and 41C of the Companies Act, Chapter 50 effective 31 March 2017 is applicable at this AGM.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the power of attorney or other authority or a notarially certified copy thereof shall be deposited at the Company's registered office at 38 Beach Road, #29-11 South Beach Tower, Singapore 189767 not less than forty-eight (48) hours before the time set for holding the AGM or adjourned meeting. Otherwise, the person so named in the instrument of proxy shall not be entitled to vote in respect thereof.

8. A corporation which is a member may by resolution of its directors, authorise any person to act as its representative at the AGM.

General

The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company may reject an instrument of proxy or proxies lodged if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time set for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 13 September 2019.

USP Group Limited

USP Group Limited
(Company Registration Number: 200409104W)

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189767
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