

USP GROUP LIMITED

(Incorporated in Singapore)

(Co. Reg. No. 200409104W)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
USP GROUP LIMITED****Report on the Audit of the Financial Statements*****Disclaimer of Opinion***

We were engaged to audit the accompanying financial statements of USP Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 8 to 93, which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion**Going concern assumption**

As disclosed in Note 3 to the financial statements. With the outbreak of COVID-19 pandemic during the financial period, the Singapore and Malaysia Governments enacted its emergency plan which has seen the closure of Singapore and Malaysia borders from March/April 2020 and has resulted in an increased level of restrictions on certain business operations. This pandemic has also resulted in significant volatility and instability in the financial markets. The outlook remains highly uncertain.

This pandemic has a significant impact on its significant subsidiaries which operate as marine distributors and dealership in Singapore and Malaysia. There is a significant uncertainty in relation to the extent and period over which these developments will continue, and they may have a significant impact on the Group's and Company's financial positions, financial performances and future cashflows.

The Group and the Company incurred a net loss of \$6,650,000 and \$6,235,000 respectively for the financial year ended 31 March 2020. As at 31 March 2020, the Group's current liabilities exceeded the current assets by \$23,912,000 for continuing operations.

In addition, as disclosed in Note 26 to the financial statements, certain subsidiaries have breached their loan covenants, as a result, non-current bank loans have been reclassified to current liabilities in accordance with the requirements of SFRS(I) 1-1 Presentation of Financial Statements.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and therefore they may not be able to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, in the preparation of the financial statements, the Board of Directors believes that the use of going concern assumption is appropriate after taking into consideration of the factors as disclosed in Note 3 to the financial statements.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
USP GROUP LIMITED (cont'd)****Report on the Audit of the Financial Statements (cont'd)*****Basis for Disclaimer of Opinion (cont'd)*****Going concern assumption (cont'd)**

The financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to realise their assets and discharge their liabilities in the ordinary 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 ordinary 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 and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to the financial statements.

The validity of going concern basis on which the financial statements are prepared is dependent on certain assumptions and the successful outcome of the Group's and the Company's various efforts as disclosed in Note 3 to the financial statements, the outcome of which are uncertain at the date of this report.

In light of the Group's and the Company's various efforts which are subject to significant uncertainties, we are unable to obtain sufficient appropriate audit evidence to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Consequently, we are unable to determine whether any adjustments in respect of the Group's and the Company's financial statements for the financial year ended 31 March 2020 are necessary.

Other Matters

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2019 were audited by another auditor whose report dated 10 September 2019 expressed an unmodified opinion with material uncertainty relating to going concern on those financial statements.

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 Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International), 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.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
USP GROUP LIMITED (cont'd)**

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the accompanying financial statements in accordance with Singapore Standards on Auditing and to issue an independent auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group 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.

Report on other legal and regulatory requirements

In our opinion, except for the matter described in the *Disclaimer of Opinion* and *Basis for Disclaimer of Opinion* sections of our report, 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 Tay Guat Peng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

20 January 2021