USP Group Limited

POWERING AHEAD

ANNUAL REPORT 2018

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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$53.9 million across 6 countries. Headquarted in Singapore, its business areas in 2015 include oil-blending and property development.

CORPORATE MILESTONE

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,

The Group's marine business which was represented by the Supratechnic Group has performed well under the "Mercury" brand. Supratechnic's appointment as the exclusive distributor for "Mercury's" outboard motors for Singapore, Malaysia, Indonesia and Brunei, only commenced in January 2017 and sales started in April 2017. During the year under review, more branches were opened as we expanded into our territories, in particular, in Indonesia which is Southeast Asia's biggest market for outboard motors. Within this short time span, the marine business sector contributed 74% to the Group's total revenue.

The Group achieved a full-year revenue of $42.0 million which was 14.4% higher as compared to $36.7 million for FY2017 largely due to the marine business. Gross profit for FY2018 was $15.3 million which was 3.8% lower than FY2017 at $15.9 million.

Selling and distribution expenses for the Group increased by 30.0% to S$1.3 million in FY2018 compared to $1.0 million in FY2017. The rise was attributed to an increase in advertising and marketing expenditure needed to create brand awareness for Mercury's products.

During the year under review, the Group acquired the property at 16 Joo Koon Circle which is adjacent to our building at 16A, giving a total area of 7,350 square metres for the two plots. Pursuant to the allocation by JTC, the lease period for both plots of land at Joo Koon Circle were aligned to 22 years and 5 months. In view of this, we had to provide additional depreciation to reflect the shortened lease period. If not for the additional depreciation, the Group's net profit would have been higher at $0.6 million. The Group has until 2020 to tear down the two units and consolidate them into a regional headquarters for the Group and in particular, its marine business.

The one-off exceptional gain was the disposal of an investment in unquoted securities. EBITDA excluding the exceptional gain increased to $4.1 million for FY2018 as compared to $3.2 million for FY2017.

On a fully diluted basis, the Group's earnings per ordinary share for FY2018 was 0.5 cents as compared to (6.7) cents for FY2017. As at 31 March 3018, the Group's net asset value per ordinary share stood at 56.23 cents, compared to 56.4 cents for FY2017.

DEVELOPMENTS

Besides looking to build our market share in the new territories under Mercury, we have also looked for other areas to expand our marine business. We signed the exclusive distributorship for U.S. based Watercar for 3 years. Watercar is an amphibious vehicle which can transition from land to sea and vice versa.

We had signed two agreements in China during the financial year to extend into boat building. One is with Harbin Engineering University Ship Equipment & Technology ("HEU Ship Tech"). The objective of this agreement is to enable the Group to tap into the expertise of HEU Ship Tech to build high performance boats for our customers. HEU Ship Tech also designs ship interiors, digitisation of marine equipment and engineering services.

The second agreement was signed with Maxthon Yachts which has been producing affordable and quality yachts for the Chinese market for 20 years. All Maxthon yachts are designed by United Kingdom-based Yacht Design.

By tapping into the expertise of these two entities, this will enable us to undertake the whole end-to-end supply chain of selling high performance boats including parts and outboard motors to our customers as well. This will position our Group as a one-stop shop for this region.

CHAIRMAN'S MESSAGE

Under the property investments sector, our property at 71 Blandford Drive has obtained the Temporary Occupation Permit (TOP) in February 2018 and the Certificate of Statutory Completion (CSC) in June 2018. We expect to dispose this unit by the end of 2018.

Separately, our Woodlands property under Koon Cheng Development Pte Ltd successfully obtained the approval to increase the gross plot ratio from 1.0 to 2.5. The Group is currently evaluating its options.

For our other businesses, the recycling of waste oil sector has also contributed to the increase in revenue. However, the increase was partially offset by the decline in the instrumentation and calibration sector.

As for the biofuel sector, we have successfully negotiated to renew our partnership with PUB.

BUSINESS PROSPECTS

Moving forward, the Group sees the Marine business to continue driving its growth in revenue. This will not only be driven by the Indonesia and East Malaysia branches opened last year but also from our traditional markets in West Malaysia. The Group is also optimistic about several government related projects that it has been working on. Mercury has also in March 2018 and May 2018 launched two new ranges of high efficiency, high performance engines which received favorable responses from the market. These are all exciting developments for the marine business.

For the property business, we expect to continue selling our residential properties. This will include our development in 71 Blandford Drive in Singapore and the Woodberry unit in London.

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.

LI HUA
Executive Chairman and CEO

BOARD OF DIRECTORS

MR. LI HUA
Executive Chairman and Chief Executive Officer

Mr. Li is an Executive Chairman and Chief Executive Officer of the Group and was appointed to the Board on 29 July 2013 and was re-elected on 31 July 2015. He is a member of the Nominating Committee. Mr. Li takes an active role in overseeing the Group's operations and business development, including formulating and executing business strategies.

Mr. Li brings to the Company enterprise management experience. Prior to his appointment as Chairman and Executive Director of the Company, he is the managing director of Venture Connection Firm Pte. Ltd. where he led the company in the provision of financial consultancy services relating to initial public offering ("IPO") exercises, merger and acquisition of listed entities, IPO and listed company analysis and equity and venture capital funds investment. Prior to that, Mr. Li was the general manager of Monsun Enterprise (Singapore) where he was responsible for overseeing the company's international trading business.

Mr. Li graduated from National University of Singapore as Master degree-holder in Mechanical Engineering. He also holds a Bachelor's Degree in Engineering at the East China University of Science and Technology, Shanghai.

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 19 October 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.

MDM WENG HUIXIN
Non-Executive Director and Non-Independent Director

Mdm Weng, Non-Executive Director and Non-Independent Director, was appointed to the Board on 31 March 2014 and was re-appointed on 29 September 2016. She is a member of the Company's Audit and Risk Management Committee and Remuneration Committee.

Mdm Weng is the PhD Supervisor of the East China University of Science and Technology since 2006. She is also the General Manager of Petroleum Refining Research Institute since 2006.

From 1961 to 2006, Mdm Weng was a Professor / Lecturer / Researcher / Vice-President of East China University of Science and Technology.

BOARD OF DIRECTORS

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 19 October 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 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 and Auhua Clean Energy PLC, previously listed on the Singapore Exchange and the Alternative Investment Market (AIM), London respectively.

MR. GOH CHONG THENG
Independent Director

Mr. Goh was appointed as Independent Director on 12 August 2017 and was last re-elected on 19 October 2017. He is currently Corporate Finance Director at PT Central Cipta Murdaya.

Mr. Goh is also an Independent Director of Pacific Radiance Ltd since 2013. Pacific Radiance Ltd is currently listed on the main board of SGX.

He has garnered more than 30 years of experience in the banking and finance sector, mostly at international banks such as Citigroup, Standard Chartered Bank, ABN AMRO Bank, Rabobank International and OCBC Bank, where he held various key senior management appointments. He was the General Manager of Rabobank Singapore responsible for the Singapore Branch and the neighbouring regional countries. He has held Senior Vice President and also Head of Corporate Banking positons at OCBC and ABN AMRO Bank in Singapore. Mr. Goh started his career in Citibank where he was promoted to Vice President of Structured Finance and Value Investing and was then posted to Citicorp North America for 16 months as a Leveraged Buyout Transactor.

Mr. Goh studied in Canada, where he graduated with a Bachelor of Computer Science from the University of Windsor and earned a Master in Business Administration (finance and accounting) from McGill University. He has attended leadership and management development programs at Insead, Mancheter Business School and also Ashridge College in London.

Mr. Goh is currently a trainer at Singapore Management University.

OPERATIONS REVIEW

MARINE BUSINESS

Marine Sales grew $7.1 million to $31.2 million year on year. Of this, Mercury marine products contributed about three quarter. This is about 150% of the annual revenue contributed by Yamaha products in FY2017. In other words, in a short span of 15 months, the marine business has successfully transformed from being an exclusive Yamaha distributor to a Mercury distributor. This is possible due to (i) the enlarged market coverage which included new market like East Malaysia, Indonesia and Brunei, (ii) strong dealer relationships and market penetration in existing market in West Malaysia, (iii) existing inhouse sales and technical capabilities, (iv) performance of Mercury products, and (v) strong support from Mercury.

The Group has 20 branches and affiliations and expanded its market coverage to Batam, Bali, Surabaya, Tarakan and Tangerang in Indonesia, and Kuching, Kota Kinabalu and Tawau in East Malaysia. The Group's headcount increased from 150 in March 2017 to close to 200 in March 2018.

Besides expanding market coverage, the Group explored new distributorships and partnerships. These included the exclusive distributorship for U.S. based Watercar for amphibious vehicles and Korean based Bay Industrial for inflatables. At a top speed of 52 knots in sea and 60 mph acceleration in 4.5 seconds on land, the Watercar is the Guinness record holder for the fastest amphibious car. The new products will complement our marine range and we are actively pursuing potential sales. The Group also started relationships with Harbin Engineering University Ship Equipment & Technology and Maxthon Yachts to explore boat building partnerships.

PROPERTY INVESTMENT BUSINESS

The Group was awarded 16 Joo Koon Circle by the Jurong Town Corporation in October 2017. As this is adjacent to our existing premise at 16A Joo Koon Circle, the Group is looking to consolidate the two plots into a regional headquarters for the Group and its marine business. The Group has appointed project consultants and will look to proceed with the development plans in the next 12-18 months.

The Group also successfully obtained the approval from URA to increase the plot ratio of our Koon Cheng Development site in Woodlands from 1.0 to 2.5. Occupancy of the property continues to be in the high 90 percentiles and generating strong rental yields. The Group is currently studying and evaluating its option following the URA approval.

Separately, the Group has been looking at divesting its residential portfolio. 71 Blandford Drive development has obtained the TOP and CSC and the Group is looking to sell it by the end of the year. In the financial year period, the Group managed to dispose off its Australian property, reporting a small net gain.

OTHER BUSINESSES

Revenue from the oil blending businesses increased by 9% largely owing to an increase in production and the improved prices due to the knock-on effect of oil price increases. The calibration of environmental equipment revenue, through our 51% subsidiary, declined by over 40% mainly because of the adverse action caused by the previous management and minority shareholder. As such, the company has commenced legal actions against members of the previous management for their breach of fiduciary duties. The company has since restructured the business with new management and look to turnaround the business in the coming financial year.

FINANCIAL REVIEW

REVENUE

Group revenue increased by 14.4% from $36.7 million to S$42.0 million. This revenue increase was largely due to the increase in the marine distribution business. The revenue increase in marine distribution business offset the sales decline in the instrumentation and calibration services.

Corresponding with the increase in revenue from the marine distribution business, expenses were incurred in market expansion, training of employees and marketing programmes aimed at market penetration. For the reported period, the Group has incurred approximately $0.4m on training and market expansion.

EARNINGS

Group posted a small but significant net profit of S$0.3 million before minority interest. After deducting minority interest, the Group posted a marginal profit after tax of $0.05 million for the entire year in review as compared to a loss of $5.5 million in prior year. This showed a marked improvement in performance from a year ago. The losses in FY2017 were due to two one-off circumstances, one of which is the reversal of the fair value uplift of $2.6 million recognised as the inventories upon the acquisition of Supratechnic Group in FY2016. This fair value uplift was subsequently reversed in FY2017 when the inventory was sold. The other is the write-off of an investment amounting to $2.8 million.

During the current year, due to the redevelopment of 16 & 16A Joo Koon Circle, the Group has recognised an accelerated depreciation amounting to $0.3 million. Had it not for this adjustment, the Group would have a net profit of $0.6 million.

ASSETS AND LIABILITIES

Total assets deployed increased by 5.4% from $105.5 million to $111.2 million, mainly due to increase in current assets, from $27.4 million to $34.9 million. Inventories for sales increased from $9.4 million to $13.9 million, or by 47.9%, and trade and other receivables also increased from $4 million to $5.6 million as Group expanded into new markets and increased sales overall.

However total liabilities, comprising both non-current liabilities and current liabilities increased from $51.9 million to $57.3 million. Trade suppliers provided more support with trade and other payables increased from $3.6 million to $6.4 million, while other current financial liabilities increased from $12.0 million to $16.6 million.

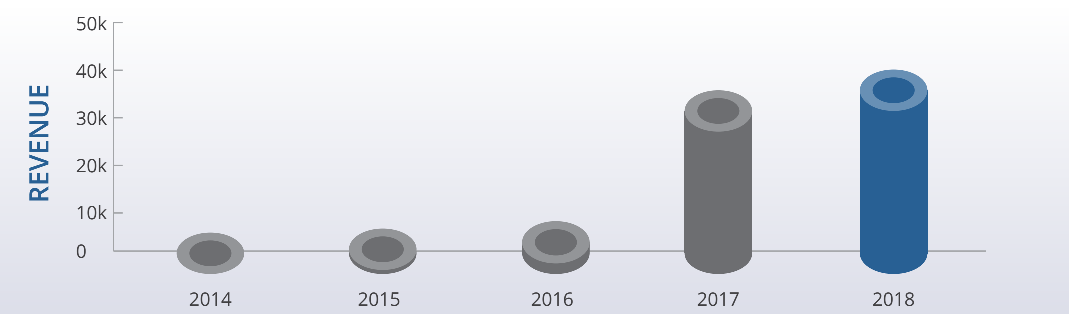
CASHFLOW

For year under review, EBITDA excluding exceptional items was $4.1m. In contrast, EBITDA for the Group a year ago was $3.2 million, signifying the Group was generating more positive cashflow from operations as compared to last year. The average EBIDTA per quarter for the last two quarters was $2.0 million.

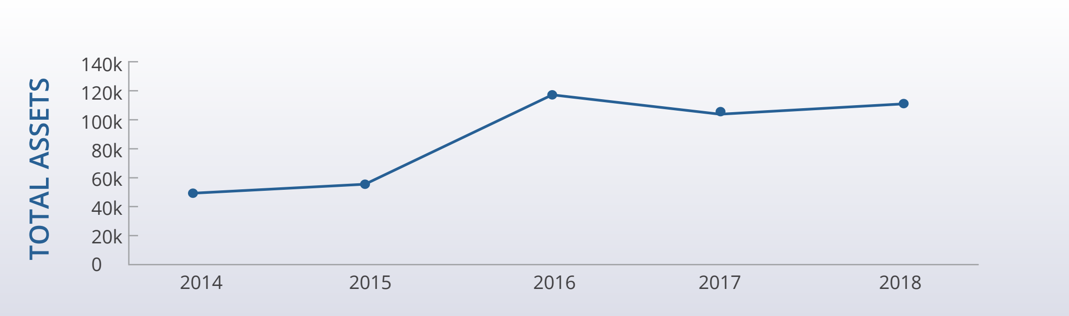
FINANCIAL HIGHLIGHTS

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

Profit and Loss Statement	FY2014	FY2015	FY2016	FY2017	FY2018
Revenue	144	1,311	6,819	36,660	41,974
Gross Profit	45	938	2,713	15,879	15,318
EBITDA before exceptional item	(1,653)	5,012	(10,792)	3,169	4,086
Profit (Loss) after tax	(1,777)	3,947	3,636	(5,590)	265



Statement of Financial Position	FY2014	FY2015	FY2016	FY2017	FY2018
Current Assets	46,768	37,884	37,396	27,372	34,896
Current Liabilities	2,999	5,026	20,286	16,470	23,822
Total Assets	49,336	55,475	116,920	105,458	111,194
Total Borrowings	1,473	5,113	42,790	43,291	47,671
Net Assets	45,223	47,985	59,125	53,607	53,860
Net Asset Value per Share before non-controlling interests (cents)	73.71	72.70	71.12	56.43	56.23



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Li Hua
(Executive Chairman and Chief Executive Officer)

Ms Nah Ee Ling
(Executive Director) (appointed on 19 July 2017)

Mr Yip Mun Foong James
(Lead Independent Director)

Mr Goh Chong Theng
(Independent Director) (appointed on 12 August 2017)

Mdm Weng Huixin
(Non-Executive Director and Non-Independent Director)

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr Goh Chong Theng (Chairman)
Mr Yip Mun Foong James (Member)
Mdm Weng Huixin (Member)

NOMINATING COMMITTEE

Mr Yip Mun Foong James (Chairman)
Mr Goh Chong Theng (Member)
Mr Li Hua (Member)

REMUNERATION COMMITTEE

Mr Yip Mun Foong James (Chairman)
Mr Goh Chong Theng (Member)
Mdm Weng Huixin (Member)

COMPANY SECRETARIES

Ms Chiang Wai Ming
Mr Yoo Loo Ping

REGISTERED OFFICE

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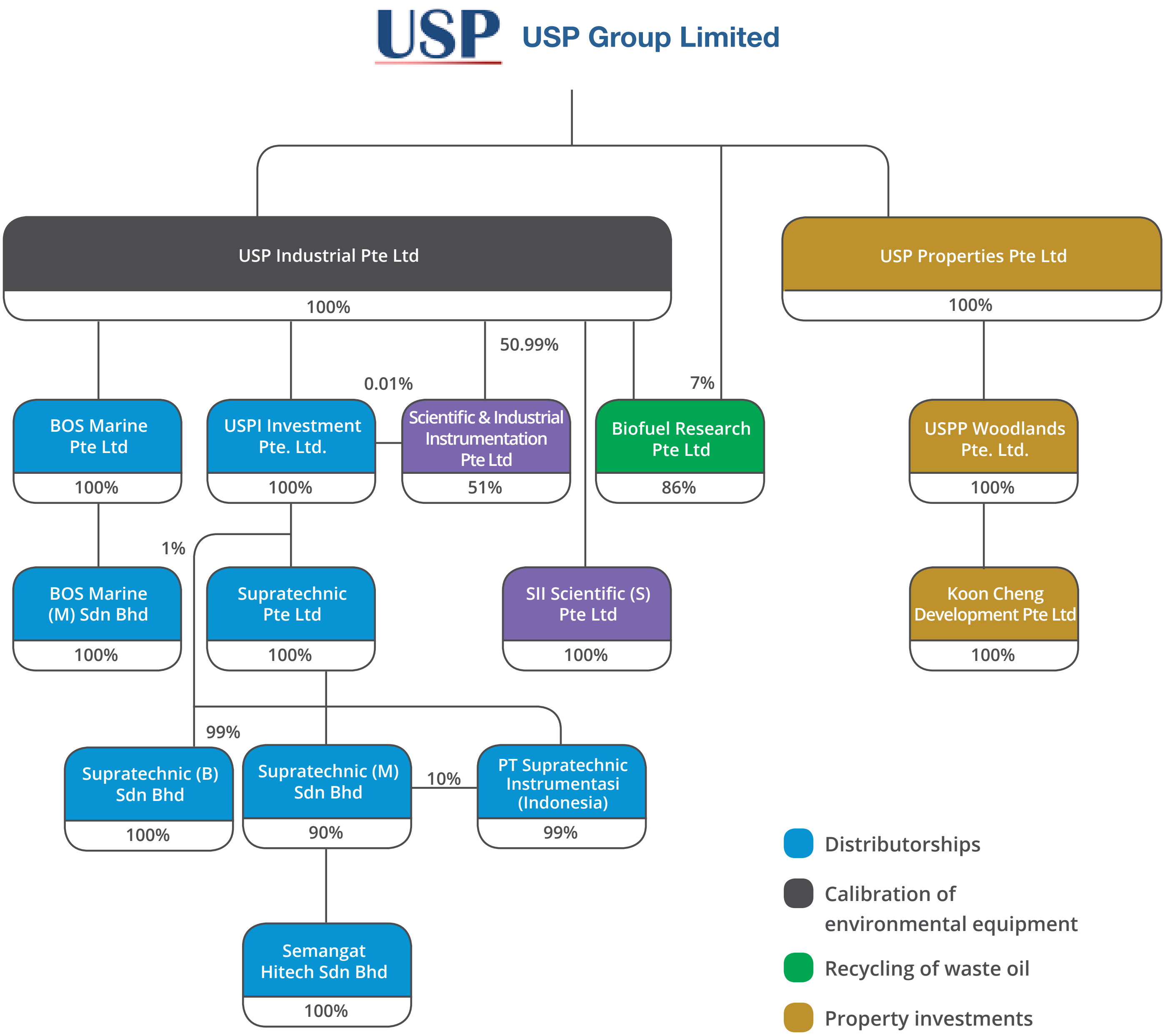
AUDITOR

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

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 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 2018 ("FY2018"), 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 FY2018 and the attendance of each Director are summarised in the table below:

	Board	ARMC	NC	RC
Number of Meetings	**5**	**5**	**1**	**1**
Li Hua	4	3*	1	1*
Nah Ee Ling#	4	4*	1*	1*
Yip Mun Foong James	5	5	1	1
Goh Chong Theng##	2	2	–	–
Weng Huixin	2	2	1*	1
Raphael Tham Wai Mun^	1	1*	–	–
Ngan See Juan^^	1	1	–	–

*Attendance at meetings that were held on a "By Invitation" basis
Appointed on 19 July 2017
Appointed on 12 August 2017
^ Resigned on 19 July 2017
^^ Resigned on 7 July 2017

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.

The Board comprises five 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.	Li Hua	Executive Chairman and Chief Executive Officer
2.	Nah Ee Ling	Executive Director and Chief Financial Officer
3.	Weng Huixin	Non-Executive and Non-Independent Director
4.	Yip Mun Foong James	Lead Independent Director
5.	Goh Chong Theng	Independent Director

The Code provides that where the Chairman is *inter alia*, part of the Management team or is not an Independent Director, the Independent Directors should make up at least half of the Board. During FY2018, the Company had interviewed a few potential candidates but found not suitable. The Company will continue its effort sourcing for a suitable candidate to be appointed as Independent Director to the Board in order to comply with guideline 2.2 of the Code.

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 pages 4 and 5 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.

There is no Director who has served on the Board beyond nine years from the date of his/her 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 shall represent a considerable concentration of power.

The positions of Chairman and the CEO are held by Mr Li Hua. Although this is a deviation from the recommendation of the Code, the Board believes that strong leadership is instrumental to the Group which is in a transitional stage in search of diversified returns and a long term growth. Vesting the roles of both Chairman and CEO on the same person who is knowledgeable in the business of the Group provides the Group with a strong and consistent leadership and allows for more effective planning and execution of long term business strategies. Mr Li's dual role as Executive Chairman and CEO will enable the Group to conduct its business more efficiently.

As Executive Chairman cum CEO, Mr Li is responsible for the workings of the Board, ensuring the integrity and effectiveness of its governance process. He also works closely with the Board to determine the business strategies and with Management to realise the Group's vision. All major decisions made in the capacity of CEO are reviewed by the Board.

The Board believes that there are adequate safeguards and checks in place to assure that the process of decision making by the Board is independent and based on collective decision without any individual exercising any considerable concentration of power of the Company. The Board is not considering separating the roles of the Executive Chairman and CEO at this moment. The NC will review the need to separate the roles from time to time and make its recommendations when necessary.

The Executive Chairman and CEO's performance and appointment to the Board are reviewed by the NC and his remuneration package is reviewed by the RC. Both the NC and RC are chaired by Independent Directors.

In compliance with the Code, Mr Yip Mun Foong James, an Independent Director and Chairman of the NC, is the Lead Independent Director. The Lead Independent Director is available to shareholders should they have concerns on issues that cannot be appropriately dealt with by the Chairman and CEO or the Chief Financial Officer ("CFO").

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. The NC members are:

(a) Yip Mun Foong James (Chairman)

(b) Goh Chong Theng

(c) Li Hua

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.

REPORT ON CORPORATE GOVERNANCE

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 appointment, thereafter, he/she is subject to re-election at least once every 3 years.

The NC recommended to the Board that Mr Li Hua and Mdm Weng Huixin (retiring pursuant to Regulation 89 of the Company's Constitution), be nominated for re-election at the forthcoming AGM.

In making the recommendation for nomination of Mr Li Hua and Mdm Weng Huixin, the NC had given regard to the results of the Board assessment in respect of their competencies in fulfilling their responsibilities as Directors 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. Accordingly, Mr Li Hua has abstained from the deliberation and decision on his own re-election.

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 Goh Chong Theng 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. Mdm Weng Huixin is considered a Non-Independent Director in view of her association with Precious Stream Holdings Limited, a substantial shareholder of the Company.

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.

As a general guideline to address time commitment, the NC is of the view that the Independent Directors may not hold more than 6 directorships in other public listed companies. The Board concurred with the NC's view. Accordingly, none of the existing Independent Directors hold more than 6 directorships in other public listed companies.

There is no alternate Director on the Board.

REPORT ON CORPORATE GOVERNANCE

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 FY2018, the NC is 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. The RC members are:

(a) Yip Mun Foong James (Chairman)

(b) Goh Chong Theng

(c) Weng Huixin

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 2019, 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 Directors 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 Directors 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 Directors 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 Directors 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: *Each 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 in bands of S$250,000 for FY2018:-

Remuneration Bands and Name of Director	Fees %	Salary %	Bonus %	Other benefits %	Total %
S$500,000 to below S$750,000					
Li Hua	–	92	–	8	100
Nah Ee Ling#	–	88	–	12	100
Raphael Tham Wai Mun^	–	91	–	9	100
Below S$250,000					
Yip Mun Foong James	100	–	–	–	100
Goh Chong Theng##	100	–	–	–	100
Weng Huixin	100	–	–	–	100
Ngan See Juan^^	100	–	–	–	100

Appointed on 19 July 2017
Appointed on 12 August 2017
^ Resigned on 19 July 2017
^^ Resigned on 7 July 2017

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.

There was no 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 FY2018.

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 comprising Mr Yip Mun Foong James (Chairman), Mr Goh Chong Theng and Mdm Weng Huixin, is responsible for the administration of the PSP.

There was no shares awarded under the PSP during FY2018. Details of PSP can be found on Page 28 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 Management is in the process of setting up an in-house internal audit department as of the date of this report. 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.

During FY2018, 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.

The external auditors together with Management, assists the ARMC in its review of the adequacy and effectiveness of the internal controls, through regular evaluation of the Group's internal controls, financial and accounting policies and risk management policies and procedures during FY2018. 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. The ARMC members are:

(a) Goh Chong Theng (Chairman)

(b) Yip Mun Foong, James

(c) Weng Huixin

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 FY2018.

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 FY2018, 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 business combination, property, plant and equipment – impairment allowance and impairment of non-current assets, 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 the financial year ended 31 March 2018 in pages 30 to 31 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 following fees were approved by the ARMC:

Audit fees	SGD125,500
Non-Audit fees	SGD4,000

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 her 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 16 of the Notes to the Financial Statements. The Group's subsidiaries are disclosed under Note 16 of the Notes to the Financial Statements on page 70 to 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.

During FY2018, 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 2018.

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 FY2018, the Directors do not recommend payment of dividends due to the need to conserve cash for the Group's working capital and operational use.

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" 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 FY2018.

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 FY2018, 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 Directors.

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 2018.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are drawn up so as to give a true and fair view of the financial position of the group and of the company as at 31 March 2018 and the performance, changes in equity and cash flows of the group and changes in equity of the company for the reporting year ended on that date; 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:

Li Hua
Weng Huixin
Yip Mun Foong, James
Nah Ee Ling
Goh Chong Theng

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:

	Direct interest		Deemed interest	
Name of directors and company in which interests are held	At beginning of the reporting year or date of appointment, if later	At end of the reporting year	At beginning of the reporting year or date of appointment, if later	At end of the reporting year
	No of shares of no par values			
The company				
Li Hua	3,225,880	3,738,700	–	–
Weng Huixin	–	–	19,966,833	19,966,833
Nah Ee Ling	1,811,632	1,811,632	–	–
Yip Mun Fong, James	156,250	156,250	–	–

3. Directors' interests in shares and debentures (cont'd)

By virtue of section 7 of the Act, Weng Huixin is deemed to have an interest in the company and in all related body corporates of the company.

The directors' interest as at 21 April 2018 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

Share options

During the reporting year, no option to take up unissued shares of the company was granted and there were no shares of the company 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 three independent directors, Yip Mun Foong, James (Chairman), Goh Cheng Theng and Weng Huixin.

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.

5. Options (cont'd)

Performance Share Plan (cont'd)

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.

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 2018, details of share awards granted to the directors of the company are as follows:

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
Li Hua	–	1,460,400	1,460,400	–
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:

Goh Chong Theng – Chairman
Weng Huixin
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 group's external auditor and its 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.

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 once separately during the year, without the presence of the management.

STATEMENT BY DIRECTORS

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

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

On behalf of the directors

…………………………………	……………………………
Li Hua	Nah Ee Ling
Director	Director

16 July 2018

INDEPENDENT AUDITOR'S REPORT

Year ended 31 March 2018

Independent auditor's report to the members of USP Group Limited

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 2018, 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 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 Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") 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 2018 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.

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.

Impairment assessment of plant and machinery

Please refer to Note 2A *Properties, plant and equipment* and *Impairment of non-financial assets* for relevant accounting policies and Note 2C *Critical judgement, assumptions and estimation uncertainties* on property, plant and equipment.

The carrying amount of the plant and machinery amounting to $10.9 million together with deposits paid for machines of $5.4 million, accounted for approximately 14.7% of the group's total assets as at the reporting year end.

Management has used the discounted cash-flow method to estimate the value in use of the plant and machinery temporarily not in use. The discounted cash-flow method requires management to estimate the future cash flows expected to arise from the utilisation of the plant and equipment and a suitable discount rate in order to calculate present value. In estimating the future cash flows of the cash-generating unit, management forecasted the revenue, growth rates, margins based on presently available information. There are also estimation uncertainties.

We assessed management's processes for the selection of its appointed external valuation expert, including the determination of the scope of work to be performed by the expert and the review and acceptance of the expert's report. We have also evaluated the competency of the external valuation expert by considering the expert's qualifications and relevant work experience.

With the assistance of our in-house valuation specialists, we assessed the appropriateness of the valuation methodologies and assumptions applied by management by comparing to generally acceptable market practices. We also tested management's key inputs to the valuation by comparing them against available industry data.

We evaluated the adequacy of the disclosures included in the financial statements.

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 FRSs, 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.

(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.

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

(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.

INDEPENDENT AUDITOR'S REPORT

Year ended 31 March 2018

Independent auditor's report to the members of USP Group Limited

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

16 July 2018
Engagement partner – effective from year ended 31 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Reporting Year ended 31 March 2018
(In Singapore Dollars)

	Notes	2018 $'000	2017 $'000
Revenue	5	41,974	36,660
Cost of sales		(26,656)	(20,781)
Gross profit		15,318	15,879
Other income	6	834	1,388
Other gains	7	2,469	2,410
Distribution costs	8	(1,300)	(985)
Administrative expenses	9	(14,779)	(15,098)
Other losses	7	(824)	(8,281)
Finance costs	10	(1,774)	(1,435)
Loss before income tax		(56)	(6,122)
Income tax income	12	321	532
Profit/(loss) after tax, net of tax		265	(5,590)
<u>Other comprehensive income/(loss)</u>:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operation		75	(148)
Total comprehensive income/ (loss)		340	(5,738)
(Loss)/profit attributable to:			
– Owners of the parent		47	(5,456)
– Non-controlling interests		218	(134)
		265	(5,590)
Total comprehensive income/(loss) attributable to:			
– Owner of the parent		122	(5,604)
– Non-controlling interests		218	(134)
		340	(5,738)
		cents	cents
Earnings per share			
Basic and diluted earnings per share	13	0.05	(6.70)

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

STATEMENTS OF FINANCIAL POSITION

As at ended 31 March 2018
(In Singapore Dollars)

	Notes	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	38,793	38,760	198	215
Investment properties	15	35,138	35,762	–	–
Intangible assets	18	1,834	2,140	–	–
Investment in subsidiaries	16	–	–	1,358	1,358
Investment securities	17	–	194	–	–
Deferred tax assets	12	533	101	–	–
Trade and other receivables, non-current	21	–	1,129	–	–
Total non-current assets		76,298	78,086	1,556	1,573
Current assets					
Inventories	20	13,862	9,353	–	–
Development property	19	4,483	3,646	–	–
Trade and other receivables, current	21	5,550	4,056	38,301	38,388
Other assets	22	6,720	5,602	24	137
Investment securities	17	1,178	1,590	1,178	1,590
Cash and cash equivalents	23	3,103	3,125	330	692
Total current assets		34,896	27,372	39,833	40,807
Total assets		111,194	105,458	41,389	42,380
EQUITY AND LIABILITIES					
Equity					
Share capital	24	50,913	50,713	50,913	50,713
Treasury shares	25	(99)	–	(99)	–
Other reserves	26	1,985	2,098	(355)	(167)
Accumulated losses		(2,033)	(2,080)	(11,275)	(9,436)
Total equity attributable to owners of the parent		50,766	50,731	39,184	41,110
Non-controlling interests		3,094	2,876	–	–
Total equity		53,860	53,607	39,184	41,110
Non-current liabilities					
Deferred tax liabilities	12	2,065	2,120	–	–
Other payables	27	383	1,975	–	800
Other financial liabilities	28	31,064	31,286	–	–
Total non-current liabilities		33,512	35,381	–	800
Current liabilities					
Income tax payable		163	320	–	–
Other financial liabilities	28	16,607	12,005	–	–
Trade and other payables	29	6,371	3,612	2,205	470
Other liabilities	30	681	533	–	–
Total current liabilities		23,822	16,470	2,205	470
Total liabilities		57,334	51,851	2,205	1,270
Total equity and liabilities		111,194	105,458	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 2018
(In Singapore Dollars)

Group:	Total equity $'000	Equity attributable to owners sub-total $'000	Share capital $'000	Treasury shares $'000	Accumulated income/(losses) $'000	Other reserves $'000	Non-controlling interests $'000
Current year:							
Opening balance at 1 April 2017	53,607	50,731	50,713	–	(2,080)	2,098	2,876
Total comprehensive loss for the year	340	122	–	–	47	75	218
Issuance of shares pursuant to PSP (Note 24)	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 issue of performance shares (Note 11)	12	12	–	–	–	12	–
Closing balance at 31 March 2018	53,860	50,766	50,913	(99)	(2,033)	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 2018
(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
Previous year:							
Opening balance at 1 April 2016	59,125	56,021	48,859	–	3,376	3,786	3,104
Total comprehensive loss for the year	(5,738)	(5,604)	–	–	(5,456)	(148)	(134)
Issuance of shares pursuant to PSP (Note 24)	593	593	793	–	–	(200)	–
Issuance of shares pursuant to repayment of loaned shares (Note 24)	(1,215)	(1,215)	956	–	–	(2,171)	–
Issuance of shares as part consideration (Note 24)	570	570	105	–	–	465	–
Value of employee services received for issue of performance shares	366	366	–	–	–	366	–
Acquisition of NCI without a change in control	(94)	–	–	–	–	–	(94)
Closing balance at 31 March 2017	53,607	50,731	50,713	–	(2,080)	2,098	2,876

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Reporting Year ended 31 March 2018
(In Singapore Dollars)

Company	Total equity $'000	Share capital $'000	Accumulated losses $'000	Other reserves $'000
Current year:				
Opening balance at 1 April 2017	41,110	50,713	(9,436)	(167)
Total comprehensive loss for the year	(1,839)	–	(1,839)	–
Issuance of shares pursuant to PSP (Note 24)	200	200	–	–
Transfer of other reserves pursuant to PSP	(200)	–	–	(200)
Purchase of treasury shares	(99)	–	–	(99)
Value of employee services received for issue of performance shares (Note 11)	12	–	–	12
Closing balance at 31 March 2018	39,184	50,913	(11,275)	(454)

Company	Total equity $'000	Share capital $'000	Accumulated losses $'000	Other reserves $'000
Previous year:				
Opening balance at 1 April 2016	40,059	48,859	(10,173)	1,373
Total comprehensive income for the year	737	–	737	–
Issuance of shares pursuant to PSP (Note 24)	593	793	–	(200)
Value of employee services received for issue of performance shares	366	–	–	366
Issuance of shares pursuant to repayment of loaned shares (Note 24)	(1,215)	956	–	(2,171)
Issuance of shares as part consideration (Note 24)	570	105	–	465
Closing balance at 31 March 2017	41,110	50,713	(9,436)	(167)

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

CONSOLIDATED CASH FLOW STATEMENT

Reporting Year ended 31 March 2018
(In Singapore Dollars)

	Group	
	2018	2017
	$'000	$'000
Cash flow from operating activities		
Loss before income tax	(56)	(6,122)
Interest income	(51)	(47)
Interest expense	1,774	1,253
Dividend income	(10)	(15)
Depreciation of property, plant and equipment	2,495	2,209
Amortisation of intangibles	306	186
Impairment of plant and equipment	–	508
Impairment of advances to suppliers	–	247
Deferred rental	133	–
Reversal of unquoted securities	–	(1,500)
Loss on disposal of plant and equipment	340	6
Gain on disposal of investment properties	(6)	–
Gain on disposal of unquoted investment securities	(1,164)	4,326
Loss on disposal of quoted investment securities	91	–
Allowance/(reversal) for doubtful receivables	376	(12)
Bad debt written off	15	9
Inventories written off	2	547
Cost related to issuance of share pursuant to PSP	200	593
Fair value gain on quoted securities	(12)	(768)
Fair value gain on deferred consideration	(508)	–
Value of employee services received for issue of performance shares	12	366
Foreign currency translation	(1,171)	(565)
Operating cash flows before changes in working capital	2,766	1,221
(Increase)/decrease in receivables	(1,515)	2,024
(Increase)/decrease in other assets	(1,118)	–
(Increase)/decrease in inventories	(4,511)	1,691
Decrease/(increase) in payables	3,134	(6,300)
Decrease/(increase) in other liabilities	148	–
Increase in development properties	(837)	(420)
Cash flows used in operations	(1,933)	(1,784)
Income tax paid	(323)	(625)
Net cash flows used in operating activities	(2,256)	(2,409)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,220)	(962)
Decrease/(increase) in receivables, non-current	759	(1,129)
Proceeds on disposal of investments securities	333	829
Proceeds on disposal of intangible	–	6
Proceeds on disposal of plant and equipment	200	374
Proceeds on disposal of investment properties	567	–
Proceeds on disposal of investment in unquoted investment securities	1,358	–
Interest Income	51	47
Dividend received	10	15
Net cash flows from (used in) investing activities	58	(820)

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

CONSOLIDATED CASH FLOW STATEMENT

Reporting Year ended 31 March 2018
(In Singapore Dollars)

	2018 $'000	2017 $'000
Cash flows from financing activities		
(Decrease)/increase in payables, non-current	(1,592)	930
Net proceeds from loans and borrowings	4,540	745
Purchase of treasury shares	(99)	–
Repayment of obligations under finance lease	(160)	(244)
Interest paid	(1,774)	(1,399)
Net cash flows from financing activities	915	32
Net decrease in cash and cash equivalents	(1,283)	(3,197)
Cash and cash equivalents, beginning balance	1,015	4,212
Cash and cash equivalents, ending balance (Note 23A)	(268)	1,015

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.

The financial statements are presented in Singapore Dollars (“$”) 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 16 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.

Accounting convention

The financial statements have been prepared in accordance with the Financial Reporting Standards in Singapore (“FRSs”) and the related Interpretations to Singapore FRS (“INT FRS”) as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRSs require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss, as required or permitted by FRSs.

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.

1. General (cont'd)

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 in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are 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, including income, expenses and cash flows 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. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

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 available-for-sale financial assets in accordance with FRS 39.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Act, 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 revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering services is recognised when the services are provided. Rental income from investment properties is recognised on a time-proportion basis over the term of the relevant lease. Interest income is recognised using the effective interest method. Dividend from equity instruments is recognised as income when the entity's right to receive dividend is established. Revenue from the provision of consultancy services is recognised upon rendering of services.

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

2A. Significant accounting policies (cont'd)

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

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.

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.

Share-based compensations

The fair value of the employee services received in exchange for the grant of shares is recognised as share based payment to employees in profit or loss with a corresponding increase in the share based payment reserve over the vesting period. The amount is determined by reference to the fair value of the shares on grant date and the expected number of shares to be vested on vesting date. At the end of each financial reporting period, the group revises its estimates of the expected number of shares that the participants are expected to receive. Any changes to the expected number of shares to be vested will entail a corresponding adjustment to the share based payment to employees and share based payment reserve.

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

2A. Significant accounting policies (cont'd)

Share-based compensations (cont'd)

Upon vesting of a share based compensation plan, the portion of share-based payment previously recognised in the share based payment reserve is reversed against treasury shares. Differences between share based payment and cost of treasury shares are taken to the share capital of the company.

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 Dollars ("$") 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 recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. 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 properties	–	50 years
Leasehold land and buildings	–	22 years
Leasehold improvement	–	5 years
Plant and machinery	–	10 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)

Property, plant and equipment (cont'd)

The lease tenure for certain leasehold land and building has been revised from 30 years to 22 years and 5 months due to the redevelopment project permitted by Jurong Town Corporation during the year. As a result, the leasehold land will be depreciated under the new lease tenure and the relevant building costs will be depreciated over a shorter period up to the agreed deadline of demolition. The group has recognised an additional accelerated depreciation of $296,601 on leasehold land and building for the reporting year ended 31 March 2018.

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.

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

2A. Significant accounting policies (cont'd)

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 at date of acquisition 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.

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 FRS 32 and FRS 39. 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 FRS 103. If there is 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.

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

2A. Significant accounting policies (cont'd)

Business combinations (cont'd)

Where the fair values are estimated 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.

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 FRS 103 (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 this FRS 103.

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.

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

2A. Significant accounting policies (cont'd)

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value as follows:-

Raw materials	–	purchase costs on weighted average basis
Finished goods and work-in-progress	–	costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on weighted average basis.

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. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

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

2A. Significant accounting policies (cont'd)

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

#1. Financial assets at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in this category.

#2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

#3. Held-to-maturity financial assets*:* As at end of the reporting year date there were no financial assets classified in this category.

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

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

Subsequent measurement: (cont'd)

#4. Available-for-sale financial assets*:* These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. The financial assets are classified as non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting year. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates.

Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

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)

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

2. Liabilities at amortised cost: These liabilities are carried at amortised cost using the effective interest method.

Fair value measurement

When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. It is a market-based measurement, not an entity-specific measurement. 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. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value.

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

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements categorise the inputs used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

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.

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.

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

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

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 specific asset or class of assets at the end of the reporting year affected by the assumption is $19,587,000. The depreciation charge for these assets have increased by $296,601 as a result of the change in its useful lives

Plant and equipment
An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value in use calculations. 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 specific asset or class of assets at the end of the reporting year affected by the assumption is $9,657,130 (2017: $9,657,130).

3. Related party relationships and transactions

FRS 24 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.

3A. Related companies

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

There are transactions and arrangements between the company and its related companies and the effects of these on the basis determined between the companies are reflected in these financial statements. The related company balances are unsecured without fixed repayment terms and interest 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.

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

3B. Key management compensation

	Group	
	2018	2017
	S$'000	S$'000
Salaries and other short-term employee benefits	691	1,037
Contributions to defined benefits plans	62	88

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

	Group	
	2018	2017
	S$'000	S$'000
Remuneration of directors	622	823

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.

3D. Other receivables from and other payables to related company

	Company	
	2018	2017
	S$'000	S$'000
Subsidiaries:		
Balance at beginning of the year	37,898	36,133
Amounts paid (in)/out	(1,048)	1,765
Balance at end of the year	36,850	37,898
Presented as:		
Trade and other receivables (Note 21)	38,200	38,206
Trade and other payables (Note 29)	(1,350)	(308)
Balance at end of the year	36,850	37,898

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 FRS 108 Operating Segments. This disclosure standard has no impact on the reported financial performance or financial position of the company.

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

4A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

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 and (4) 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.

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 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:

	Recycling of Waste Oil $'000	Property Investments $'000	Marine Distributors and Dealerships $'000	Calibration of Environmental Equipment $'000	Others $'000	Total $'000
2018						
Revenue						
– Sales to external customers	3,332	3,652	31,155	3,835	–	41,974
Interest income (Note 6)	–	–	51	–	–	51
Fair value gain on quoted securities (Note 7)	–	–	–	–	12	12
Gain on disposal of investment securities (Note 7)	–	–	–	1,164	–	1,164
Depreciation of property, plant and equipment (Note 14)	(1,105)	(6)	(1,183)	(142)	(59)	(2,495)
Loss before tax	206	2,158	(1,827)	1,282	(1,875)	(56)
Assets	6,475	7,766	27,893	3,417	65,643	111,194
Liabilities	3,674	1,141	20,113	2,098	30,308	57,334
Other segment information:						
Capital expenditure on property, plant and equipment and development property	8	–	2,846	366	1,376	4,596

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

4B. Business segments (cont'd)

	Recycling of Waste Oil $'000	Property Investments $'000	Marine Distributors and Dealerships $'000	Calibration of Environmental Equipment $'000	Others $'000	Total $'000
2017						
Revenue						
– Sales to external customers	3,056	3,726	24,052	5,821	5	36,660
Interest income (Note 6)	–	47	–	–	–	47
Fair value gain on quoted securities (Note 7)	–	–	–	–	768	768
Loss on disposal of investment securities (Note 7)	–	–	–	–	(4,326)	(4,326)
Depreciation of property, plant and equipment (Note 14)	(1,105)	(18)	(922)	(104)	(60)	(2,209)
Loss before tax	328	2,162	(3,452)	1,340	(6,500)	(6,122)
Assets	12,584	41,727	29,614	4,125	17,408	105,458
Liabilities	6,917	4,672	12,187	538	27,537	51,851
Other segment information:						
Capital expenditure on property, plant and equipment and development property	278	5	587	73	619	1,562

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

4C. Geographical information

	China/ Hong Kong/ Indonesia/ India $'000	Malaysia $'000	Singapore $'000	Total $'000
2018				
Revenue				
– External	7,748	20,672	13,554	41,974
Segment non-current assets	6,774	5,649	63,342	75,765
Capital expenditure on property, plant and equipment and development property	172	140	4,284	4,596
2017				
Revenue				
– External	4,584	18,198	13,878	36,660
Segment non-current assets	2,612	4,756	70,617	77,985
Capital expenditure on property, plant and equipment and development property	80	152	1,330	1,562

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	
	2018 $'000	2017 $'000
Sale of marine equipment and accessories and related services	34,782	29,620
Sale of biodiesel and blended oil	3,332	3,056
Sale of goods	–	3
Rental income	3,686	3,784
Service income	174	197
	41,974	36,660

6. Other income

	Group 2018 $'000	Group 2017 $'000
Interest income	51	47
Dividend income	10	15
Others	773	1,326
	834	1,388

7. Other gains and (other losses)

	Group 2018 $'000	Group 2017 $'000
Foreign exchange gain, net	640	100
Fair value gain on quoted securities (Note 17)	12	768
Fair value gain on deferred consideration	508	–
Loss on disposal of plant and equipment	(340)	(6)
Gain on disposal of investment properties	6	–
(Allowance)/reversal for doubtful receivables (Note 21)	(376)	12
Bad debts written off	(15)	(9)
Plant and equipment written off	–	(2)
Inventories written off	(2)	(547)
Allowance for impairment on plant and machinery (Note 14)	–	(508)
Reversal/(allowance) for impairment on deposit (Note 22)	–	(247)
Reversal of impairment on investment securities	–	1,500
Gain/(loss) on disposal of unquoted investment securities	1,164	(4,326)
Loss on disposal of quoted investment securities	(91)	–
Reversal of inventory gains previously recognised (Note 20)	–	(2,636)
Others	139	30
Net	1,645	(5,871)
Presented in profit and loss as:		
Other gains	2,469	2,410
Other losses	(824)	(8,281)
	1,645	(5,871)

8. Distribution costs

The major and other components include the following:

	Group 2018 $'000	Group 2017 $'000
Travel expenses	110	138
Transportation expenses	623	314
Employee benefit expense (Note 11)	567	336

9. Administrative expenses

The major and other components include the following:

	Group	
	2018	2017
	$'000	$'000
Audit fees to the independent auditor of the company	145	137
Audit fees to the other independent auditor	22	24
Other fees to the independent auditor of the company	4	7
Depreciation of property, plant and equipment	2,495	2,209
Depreciation of investment properties	17	–
Rental expenses	1,278	809
Professional fees	1,267	1,022
Property tax	367	416
Directors remunerations	511	823
Employee benefits expense (Note 11)	7,326	7,265

10. Finance costs

	Group	
	2018	2017
	$'000	$'000
Bank overdraft interest	117	32
Hire purchase interests	27	38
Bank loan interest	1,297	1,177
Interest expense on security deposits	–	6
Trust receipts interest	333	182
	1,774	1,435

11. Employee benefits expense

	Group	
	2018	2017
	$'000	$'000
Salaries, bonuses and other employees' benefits	6,815	5,675
Contributions to defined contribution plans	707	723
Employee performance share plan	12	959
Other benefits	359	244
	7,893	7,601

The employee benefits expenses are charged as follows:

	Group	
	2018	2017
	$'000	$'000
Distribution costs (Note 8)	567	336
Administrative expenses (Note 9)	7,326	7,265
	7,893	7,601

12. Income tax (income) expense

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

	Group	
	2018	2017
	$'000	$'000
Current tax (income)/expense:		
Current tax (income)/expense	162	234
Under (over) adjustments in respect of prior periods	3	(96)
Subtotal	165	138
Deferred tax (income)/expense:		
Deferred tax income	(247)	(195)
Reversal of deferred tax liabilities as a result of prior year fair value uplift on inventory	–	(583)
(Under) over adjustments in respect of prior periods	(239)	108
Subtotal	(486)	(670)
Total income tax income	(321)	(532)

The income tax in profit or loss varied from the amount of income tax amount determined by by applying the Singapore income tax rate of 17% (2017: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2018	2017
	$'000	$'000
Loss before income tax	(56)	(6,122)
Income tax benefit at the above rate	(10)	(1,041)
Expenses not deductible for tax purposes	521	681
Effect of different tax rates in different countries	66	4
Tax effect of non-taxable income	(445)	(145)
Deferred tax assets not recognised	643	202
Tax rebate and exemptions	(87)	(72)
Under (over) adjustments to current tax in respect of prior periods	3	(96)
(Under) over adjustments to deferred tax in respect of prior periods	(239)	108
Previously unrecognised deferred tax assets recognised this year	(786)	(192)
Utilisation of group relief	(114)	–
Others	127	19
Total income tax income	(321)	(532)

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

As at 31 March 2018, the group has tax losses and capital allowances of $15,579,981 and $3,338,819 (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 is subject to the agreement of the tax authority and compliance with certain provisions of the Singapore tax legislation. The unutilised tax losses do not have any expiry date.

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

12B. Deferred tax (income) expense recognised in profit or loss

	Group	
	2018	2017
	$'000	$'000
Excess of net book value of plant and equipment over tax values	(55)	(87)
Fair value uplift of inventories on acquisition of subsidiaries	–	(583)
Others	(431)	–
	(486)	(670)

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

	Group	
	2018	2017
	$'000	$'000
Excess of book value of plant and equipment over tax values	(70)	(125)
Fair value uplift of inventories on acquisition of subsidiaries	(1,995)	(1,995)
Others	533	101
	(1,532)	(2,019)
Presented in the statement of financial position as follows:		
Deferred tax liabilities	(2,065)	(2,120)
Deferred tax assets	533	101
	(1,532)	(2,019)

13. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2018	2017
	$'000	$'000
Profit/(loss), net of tax attributable to owners of the company	47	(5,456)

	No of shares	
	2018	2017
Weighted average number of equity shares	90,287,403	81,443,000

Basic earnings per share are calculated by dividing profit, net of tax attributable to owners of the parent by the weighted average number of ordinary shares outstanding during each reporting year.

14. 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 1 April 2016	–	5,838	21,854	822	14,940	385	742	3,533	536	48,650
Currency realignment	–	825	(378)	(322)	(3)	20	1	(25)	(30)	88
Additions	–	16	–	69	365	161	62	200	89	962
Disposals	–	–	–	–	(14)	(32)	(1)	(550)	(46)	(643)
At 31 March 2017	–	6,679	21,476	569	15,288	534	804	3,158	549	49,057
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 March 2018	2,460	5,507	22,588	978	14,808	621	397	2,525	587	50,471
Accumulated depreciation and impairment loss:										
At 1 April 2016	–	–	725	341	2,945	247	583	2,201	391	7,433
Currency realignment	–	–	11	(19)	445	(2)	–	(21)	(4)	410
Charge for the reporting year	–	–	1,079	65	485	58	88	351	83	2,209
Disposals	–	–	–	–	(1)	(24)	(1)	(193)	(44)	(263)
Impairment loss	–	–	–	–	508	–	–	–	–	508
At 31 March 2017	–	–	1,815	387	4,382	279	670	2,338	426	10,297
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 March 2018	–	460	3,208	772	3,872	385	374	2,107	500	11,678
Net book value:										
At 1 April 2016	–	5,838	21,129	481	11,995	138	159	1,332	145	41,217
At 31 March 2017	–	6,679	19,661	182	10,906	255	134	820	123	38,760
At 31 March 2018	2,460	5,047	19,380	206	10,936	236	23	418	87	38,793

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

Details of the group's freehold land and building at original acquisition cost are as follow:

	Group	
	2018	2017
	$'000	$'000
5211 Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan	179	179
16 Jalan Permatang 10 Taman Desa Jaya, 81100 Johor Bahru, Johor Darul Ta'zim	176	176
#4, Lorong Nagasari 24, Taman Nagasari, 13600 Prai, Butterworth, Penang.	214	214
#6, Lorong Nagasari 24, Taman Nagasari, 13600 Prai, Butterworth, Penang.	224	224
#3, Lorong Nagasari 24, Taman Nagasari, 13600 Prai, Butterworth, Penang.	–	217
#2, Jalan Tiang U8/91 Bukit Jelutong Industrial Park 40150 Shah Alam Selangor Darul Ehsan	4,828	4,828
	5,621	5,838

Details of the group's leasehold properties at original acquisition cost are as follow:

	Group	
	2018	2017
	$'000	$'000
11,296.00 square metres industrial complex at Tuas South Street 15, Singapore	9,476	9,476
2,219.00 square metres semi-detached factory at 16A Joo Koon Circle, Singapore	8,000	8,000
684.00 square metres ramp-up flatted factory unit at 51 Bukit Batok Crescent, #03-26/27, Unity Centre, Singapore	2,000	2,000
722.00 square metres Jalan Sunter Kemayoran No. 55 Jakarta Utara, DKI Jakarta Indonesia	1,300	1,300
155.00 square metres 3/9 Jalan Industri Batu 3, Jalan Gambang, 25000 Kuantan, Pahang Darul Makmur, Malaysia	131	131
	20,907	20,907

At the end of the reporting period, the leasehold properties were mortgaged to secure the group's bank loans in Note 28.

(In Singapore Dollars)

14. 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 $198,456 (2017: $659,040) that are under finance leases (Note 28). The group's obligations under finance lease are secured by the lessor's title to the leased assets.

Property, plant and equipment not in use

At the end of the reporting year, the company has machines of net carrying amount of $9,657,130 (2017: $9,657,130) which are temporarily not in use as the operations have not commenced. The plant and equipment was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash generating unit ("CGU") is the higher of its fair value less costs of disposal or its value in use. The value in use method was used to measure the value of the plant and equipment. The value in use was measured by Brilliant Appraisal Limited, a firm of independent professional valuers. The value in use is a recurring fair value measurement (Level 3).

The key assumptions include:

Asset:	Eco-Fuel Facility
Recoverable amount:	$12,140,000 (2017: $9,657,130)
Valuation technique for recurring recoverable amount measurements and inputs:	Discounted cash flow method
Significant observable inputs:	#1. Estimated discount rates using pre-tax rates of 11.0% (2017: 10.5%) that reflect current market assessments at the risks specific to the unit. #2. Growth rates of 3% (2017: 3%) based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets. #3. Cash flow forecasts derived from the most recent financial budgets and plans approved by management.
Sensitivity on management's estimates:	A hypothetical 5% increase or decrease in the cost of diesel to the discounted cash flows would have an effect on fair value of – lower by $2,826,000; higher by $2,826,000.

Leasehold properties and redevelopment project

During the year, the group has contracted to redevelop its existing premises together with a new leasehold property located next to its existing location of 16A, Joo Koon Circle with Jurong Town Corporation. During the year, the group paid $2,382,279 as part of the construction and other relevant costs for the new leasehold property. These costs have been capitalised.

As a result of this arrangement, the existing premises will have a shorter useful lives to be align with the new leasehold property. The impact of this change in useful lives is an accelerated depreciation of $296,601 charged during the reporting year.

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

	Office equipment $'000	Motor vehicle $'000	Computers $'000	Total $'000
Company				
Cost:				
At 1 April 2016	11	132	12	155
Additions	108	–	7	115
At 31 March 2017 and 31 March 2018	119	132	19	270
Accumulated depreciation:				
At 1 April 2016	10	20	8	38
Charge for the year	–	13	4	17
At 31 March 2017	10	33	12	55
Charge for the year	1	13	3	17
At 31 March 2018	11	46	15	72
Net book value:				
At 1 April 2016	1	112	4	117
At 31 March 2017	109	99	7	215
At 31 March 2018	108	86	4	198

15. Investment properties

	Group	
	2018 $'000	2017 $'000
At fair value:		
At 31 March 2016 and 31 March 2017	35,762	35,762
Disposal	(624)	–
At end of the 31 March 2018	35,138	35,762
Statement of comprehensive income		
Rental income from investment properties (Note 5)	3,686	3,784
Direct operating expenses (including repairs and maintenance) arising from revenue generating properties	839	902

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 offsetted with other reserve.

These investment properties are charged to secure certain bank borrowings of the group (Note 28).

The directors conducted regular review and are of the view that the carrying values of the investment properties approximate their fair values at the end of the reporting period.

15. Investment properties (cont'd)

The investment properties held by the group as at 31 March 2018 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	20 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	Residential	Leasehold	991 years

Description	Fair Value	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	$'000			
At 31 March 2018				
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
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

The fair value of the investment properties above was based on valuation made by Dennis Wee Realty Pte Ltd, a firm of independent professional valuers on a systematic basis at least once in three years. The latest revaluation of the investment properties was on 24 April 2018. The firm hold a recognised and relevant professional qualification with sufficient experience in the location and category of the investment property being valued.

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

16. Investment in subsidiaries

	Company	
	2018	2017
	$'000	$'000
Unquoted equity shares, at cost	1,358	1,358

16. Investment in subsidiaries (cont'd)

The subsidiaries held by the company are listed below:

	Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost		Equity held	
		2018	2017	2018	2017
		$'000	$'000	%	%
	Held by the company				
^	USP Properties Pte Ltd Singapore Investment holding and real estate developer	1,044	1,044	100	100
^	USP Industrial Pte Ltd Singapore Investment holding, research and development, engineering, manufacturing and consultancy for biofuel industry	261	261	100	100
^	Biofuel Research Pte Ltd Singapore Research and development, engineering, manufacturing and consultancy for biofuel industry	53	53	93	93
		1,358	1,358		

	Name of subsidiaries, country of incorporation, place of operations and principal activities	Equity held	
		2018	2017
		%	%
	Held through USP Industrial Pte Ltd		
^	Biofuel Research Pte Ltd Singapore Research and development, engineering, manufacturing and consultancy for biofuel industry	93	93
^	BOS Marine Pte Ltd (formerly known as USP Oil Pte Ltd) Singapore Wholesale of marine equipment and accessories	100	60
^	Scientific & Industrial Instrumentation Pte Ltd Singapore (Note 16A) Trading in scientific and industrial instruments	51	51
^	USPI Investment Pte Ltd Singapore Investment holding	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

(In Singapore Dollars)

16. Investment in subsidiaries (cont'd)

	Name of subsidiaries, country of incorporation, place of operations and principal activities	Equity held 2018 %	Equity held 2017 %
	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	–
	Held through USPI Investment Pte Ltd		
^&	Supratechnic Pte Ltd Singapore Wholesale of industrial machinery and equipment, marine equipment and accessories	100	100
+	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	90	90
#	PT Supratechnic Instrumentasi (Indonesia) Trading in outboard motors and general merchandise	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	90	90
#	PT Supratechnic Instrumentasi (Indonesia) Trading in outboard motors and general merchandise	100	100

16. Investment in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation, place of operations and principal activities

		Equity held	
		2018	2017
		%	%
	Held through the USP Properties Pte Ltd		
+	Cluny Home Development Pte Ltd [(1)] Singapore Real estate developer	–	90
^	USPP Woodlands Pte Ltd Singapore Investment holding	100	100
	Held through USPP Woodlands Pte Ltd		
^&	Koon Cheng Development Pte Ltd Singapore Real estate developer	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 other audit firm
+ Dormant and qualified for audit exemption under the Act
& 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.
(1) The company has been striked off to reduce compliance costs as it has remained dormant for a number of years.

16A. Subsidiary with material NCI

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

	2018	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):

	2018	2017
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)

17. Investment securities

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current:				
Held for trading investments				
– Quoted equity securities, at fair value	1,178	1,590	1,178	1,590
Non–current:				
Available-for-sale financial assets				
– Unquoted equity securities, at cost	–	194	–	–

Held for trading equity securities

	Group and company	
	2018	2017
	$'000	$'000
Quoted equity shares, at fair value	3,243	3,243
Disposal	(424)	–
Fair value adjustment	(1,641)	(1,653)
At market value (Level 1)	1,178	1,590

Analysis of movement in fair value adjustment for marketable securities:

	Group and company	
	2018	2017
	$'000	$'000
Balance at beginning of year	(1,653)	(2,421)
Fair value adjustment for the year (Note 7)	12	768
Balance at end of year	(1,641)	(1,653)

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.

18. Intangible assets

	Customer_ relationships $'000	Goodwill $'000	Club_ membership $'000	Total $'000
Group				
Cost:				
Balance at 1 April 2016	1,866	481	7	2,354
Disposal	–	–	(6)	(6)
Balance at 31 March 2017 and 31 March 2018	1,866	481	1	2,348
Accumulated amortisation and impairment:				
Balance at 1 April 2016	–	22	–	22
Charge for the year	186	–	–	186
Balance at 31 March 2017	186	22	–	208
Charge for the year	306	–	–	306
Balance at 31 March 2018	492	22	–	514
Net carrying amount:				
At 31 March 2017	1,680	459	1	2,140
At 31 March 2018	1,374	459	1	1,834

19. Development property

	Group	
	2018 $'000	2017 $'000
Land at cost	3,080	3,080
Interest expense capitalised	207	146
Other development expenditure	1,376	600
Land for development	4,663	3,826
Provision for diminution in value	(180)	(180)
	4,483	3,646

Provision of impairment of $180,000 was made on property subsequent to management's assessment of the recoverable amount of the property. The recoverable amount is based on the valuation report performed by Dennis Wee Realty Pte Ltd dated 1 March 2018 for the purpose of the assessment of impairment of the said property.

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

	Group	
	2018	2017
Capitalisation rates per annum	2.72%	2.64%
	$'000	$'000
Borrowing costs capitalised included in additions during the year	62	61

The freehold land under development has been pledged as security for a bank loan (Note 28).

19. Development property (cont'd)

Details of the development property are as follow:

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

The property has obtained its temporary occupation permit on 14 February 2018.

20. Inventories

	Group	
	2018	2017
	$'000	$'000
Finished goods		
- As reported	13,800	9,353
- PPA adjustment	–	2,636
- Fair value reversal upon sale	–	(2,636)
Work in process	32	–
Goods in transit	30	–
	13,862	9,353
The amount of inventories included in cost of sales	25,605	20,453

21. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	4,782	3,689	–	182
Less: Allowance for doubtful receivables	(376)	–	–	–
Subtotal	4,406	3,689	–	182
Other receivables				
Deposits to secure services	80	116	80	–
Outside parties (a)	235	251	21	–
Related parties	829	1,129	–	–
Subsidiaries				
– Other receivables	–	–	38,200	38,206
Subtotal	1,144	1,496	38,301	38,206
Total	5,550	5,185	38,301	38,888

21. Trade and other receivables (cont'd)

	Group 2018 $'000	Group 2017 $'000
Movements in above allowance on trade receivables:		
Balance at beginning of the year	–	–
Charge for trade receivables to profit or loss included in other losses	376	–
Balance at end of the year	376	–
Movement in above allowance on other receivables:		
Other receivables – nominal amount	–	59
(Reversal) allowance for impairment	–	(12)
Written off	–	(47)
	–	–

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Presented as:				
Trade and other receivables, current	5,550	4,056	38,301	38,888
Trade and other receivables, non-current	–	1,129	–	–
	5,550	5,185	38,301	38,888

(a) Included in other receivables is an amount of $ Nil (2017: $244,942) receivable from an external party in relation to the acquisition of Koon Cheng Development Pte Ltd in previous financial year.

22. Other assets

	Group 2018 S$'000	Group 2017 S$'000	Company 2018 S$'000	Company 2017 S$'000
Deposits	5,662	5,114	–	107
Less: allowance for impairment	(234)	(247)	–	–
Prepaid expenses	1,292	735	24	30
	6,720	5,602	24	137

Deposit paid for a machine which is yet to be delivered. Accordingly, deposit paid was impaired on the same basis as machineries delivered and recorded under plant and equipment (Note 14) previously.

23. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash at bank	904	1,278	22	384
Cash in hand	27	69	–	–
Short-term deposits	2,172	1,778	308	308
Cash and bank balances	3,103	3,125	330	692

Cash at bank earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group, and earn interests at the respective short-term deposit rates. The interests earned range from 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 $2,172,000 (2017: $1,098,000) (Note 28).

23A. Cash and cash equivalents in the consolidated statement of cash flows

	Group	
	2018	2017
	$'000	$'000
Cash at bank and in hand and short term-term deposits	3,103	3,125
Less: bank overdrafts (Note 28)	(1,199)	(1,012)
Less: restricted cash-pledged fixed deposits (Note 28)	(2,172)	(1,098)
Cash and cash equivalents	(268)	1,015

24. Share capital

	Group and company	
	No. of shares issued	Share capital
	'000	$'000
Ordinary shares of no par value:		
Balance at 1 April 2016	78,775	48,859
Issuance of shares pursuant to PSP	4,993	793
Issuance of shares pursuant to repayment of loaned shares	4,900	956
Issuance of shares as part consideration	1,228	105
Balance at 31 March 2017	89,896	50,713
Issuance of shares pursuant to PSP	1,026	200
Balance at 31 March 2018	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.

24. Share capital (cont'd)

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 year (2017: 5,373,522). The number of outstanding shares held under PSP as of 31 March 2018 is nil (2017: 1,025,640).

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.

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.

	2018 $'000	2017 $'000
Net debt:		
All current and non-current borrowings including finance leases	47,671	43,291
Less: Cash and bank balances (Note 23)	(3,103)	(3,125)
Net debt	44,568	40,166
Adjusted capital:		
Total equity	53,860	53,607
Debt-to-adjusted capital ratio	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.

In order to maintain its listing on the Singapore Exchange, the company has to have share capital with a public float of at least 10% of the shares. The company met the capital requirement on its 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. Treasury shares

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

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

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

26. Other reserves

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Foreign currency translation reserve	(75)	(148)	–	–
Share based payment reserve	–	188	–	188
Gain or loss on reissuance of treasury shares	–	(504)	–	(504)
Others	2,060	2,562	(355)	149
	1,985	2,098	(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 (Note 11). 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) Others - equity consideration

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

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

27. Other payables, non-current

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deferred consideration	–	1,500	–	–
Security deposit	383	475	–	–
Subsidiary	–	–	–	800
	383	1,975	–	800

Deferred consideration is part of the purchase consideration for acquisition of Supratechnic Pte Ltd in 2016. The deferred consideration consists of cash consideration of S$750,000 and share consideration of 15 million number of 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 29).

The loan from a subsidiary was unsecured, bore an interest of 5% per annum and repayable in March 2019. The balance of loan from subsidiary is reclassified to current payables (Note 29).

28. Other financial liabilities

	Group	
	2018	2017
	$'000	$'000
Non–current:		
Bank loan (Note 28A)	30,818	30,940
Finance lease liabilities (Note 28B)	246	346
	31,064	31,286
Current:		
Bank loans (Note 28A)	6,590	6,037
Finance lease liabilities (Note 28B)	127	187
Bank overdrafts (Note 28C)	1,199	1,012
Bills payable (Note 28D)	8,691	4,769
	16,607	12,005
	47,671	43,291

28A. Bank loans

Loan I — this term loan is secured by mortgage over certain leasehold property (Note 14) of Scientific & Industrial Instrumentation Pte. Ltd., personal guarantee by a director of the subsidiary 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 interest ranging from 3.01% to 3.26% per annum calculated on a monthly rest basis. The effective interest rate was 3.12% per annum. 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 14) and bears interest rate at 13.5% per annum. The loan is repayable by monthly instalments with final repayment in June 2020. The effective interest rate was 13.71% per annum. The loan is denominated in Indonesian Rupiah.

28. Other financial liabilities (cont'd)

28A. Bank loans (cont'd)

Loan III	is secured by Semangat Hitech Sdn. Bhd. on a first legal charge over its property (Note 14), deed of assignment of rental proceeds and corporate guarantee from Supratechnic (M) Sdn Bhd. The loan bears 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 3.80% per annum. The loan is denominated in British Pound.
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 23) 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% per annum. The loan is denominated in Malaysian Ringgit.
Loan V	is secured by USPI Investment Pte Ltd on mortgage over certain leasehold property (Note 14), personal guarantee by a 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 rate was 3.14% (2017: 3.04%) 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 14) 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 rate was 4.56% (2017: 4.43%) per annum. The loan is denominated in Singapore Dollar.
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 14), corporate guarantee by ultimate holding company and personal guarantee by a director of the company. It is repayable over 60 monthly instalment from January 2017 and with final repayment in 2021.

28. Other financial liabilities (cont'd)

28A. Bank loans (cont'd)

Loan VIII is secured by Scientific & Industrial Instrumentation Pte. Ltd. on mortgage over the development property (Note 19) and corporate guarantee by the company. The loan was repayable from April 2016, and subsequently extended to June 2017 and repay over a period of 5 years. 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 3months. Effective interest rate was 2.73% (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 15), 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 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% (2017: 3.02%) per annum. The loan is denominated in Singapore Dollar and the balance as at 31 March 2018 is $19,950,000 (2017: $21,193,000).

Subsequent to reporting year end, 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 interest rate swap has a notional amount of S$12 million and termination date is 19 May 2020.

Loan X is secured by mortgage over certain leasehold property (Note 14), personal guarantee by a director of the subsidiary 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.

Undrawn available credit facilities

At the end of the reporting period, the group has undrawn available credit facilities with certain banks of $8,669,899 (2017: $2,700,000).

28. Other financial liabilities (cont'd)

28B. Finance lease liabilities

The group enters into a finance lease for certain plant and equipment for a lease term up to 7 years (2017: 7 years). The average discount rate implicit in the lease obligation is 5.22% (2017: 4.15%) 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	Minimum payments	Finance charges	Present value
2018	$'000	$'000	$'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

Group	Minimum payments	Finance charges	Present value
2017	$'000	$'000	$'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

28C. Bank overdrafts

Bank overdrafts bear interest rates ranging from 1% to 1.25% (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.

28D. Bills payables

Bills payable bear interest rates ranging from 2% to 6.9% (2017: 1.55% to 7.85%) per annum for the group and matured approximately within 1 to 3 months (2017: 1 to 3 months) from the end of the reporting period.

Bills payables 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 23); and
- deed of assignment of rental proceeds from a subsidiary.

29. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	3,463	2,334	200	124
Other payables:				
Deposit received	1,537	922	–	–
Deferred consideration	992	–	–	–
Outside parties	379	356	655	38
Subsidiaries (Note 3)	–	–	1,350	308
	2,908	1,278	2,005	346
Total trade and other payables	6,371	3,612	2,205	470

30. Other liabilities

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Advance rental received	–	9	–	–
Deferred lease income	42	18	–	–
Deferred rent payable	639	506	–	–
	681	533	–	–

31. Contingent liabilities

Litigation against two of SII's former directors, a local company, two other persons and three former employees

During the reporting year 2017, Scientific & Industrial Instrumentation Pte Ltd ("SII"), a subsidiary of Supratechnic Pte Ltd commenced legal action against two of its former directors, a local company, two other persons and three former employees for inter alia misappropriation of equipment, breach of fiduciary duties, dishonest assistance, breach of employee duties and conspiracy. The liquidated amounts claimed by SII against all the defendants (jointly and severally) are $248,021 and $1,454,428, as well as $154,888 in relation to one of the defendants only. There are also unliquidated sums which, if allowed, would be assessed by the Court in the second tranche of hearings. The trial dates for the first tranche of hearings on liability of the Defendants only have been set in June 2019.

No provision has been made at the reporting date as the directors have assessed that there are no damages to be incurred by the group for the litigation. Notwithstanding, the first defendant has a counterclaim of $54,000 and $6,120; and the second defendant has a counterclaim of $194,584 and $2,700. At the date of this report, the legal proceedings are still on-going.

32. 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	
	2018	2017
	$'000	$'000
Not later than one year	946	547
Later than one year but not later than five years	2,423	969
Later than five years	3,769	27
	7,138	1,543
Rental expense for the year	1,278	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 (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.

33. 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	
	2018	2017
	$'000	$'000
Not later than one year	1,288	1,558
Later than one year but not later than five years	1,636	1,745
	2,924	3,303
Rental income for the year	3,686	3,784

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

34. Financial instruments: information on financial risks

34A. Categories of financial assets and liabilities

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	3,103	3,125	330	692
Loans and receivables	5,550	5,185	38,301	38,388
Investment securities at fair value	1,178	1,590	1,178	1,590
Available-for-sale financial assets	–	194	–	–
	9,831	10,094	39,809	40,670
Financial liabilities:				
At amortised cost:				
– Trade and other payables	6,755	5,587	2,205	1,270
– Other financial liabilities	47,671	43,291	–	–
	54,426	48,878	2,205	1,270

34B. 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.

34C. 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.

NOTES TO THE FINANCIAL STATEMENTS

Reporting Year ended 31 March 2018
(In Singapore Dollars)

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

34C. Fair values of financial instruments (cont'd)

There was no transfer from Level 1 and Level 2 to Level 3 during the financial year ended 31 March 2018 and 31 March 2017.

(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 2018			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant un-observable inputs (Level 3) $'000	Total $'000
Financial assets:				
Held for trading investments:–				
Investment securities (Note 17)	1,178	–	–	1,178
	2017			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant un-observable inputs (Level 3) $'000	Total $'000
Financial assets:				
Held for trading investments				
Investment securities (Note 17)	1,590	–	–	1,590

(ii) Level 3 fair value measurements

(a) 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 FRS 113 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.

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

34C. Fair values of financial instruments (cont'd)

(ii) Level 3 fair value measurements (cont'd)

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.

(iv) Fair value of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Investment in equity securities carried at cost

Fair value information has not been disclosed for the group's investments in unquoted equity securities that are carried at cost because fair value cannot be measured reliably. These equity securities represent ordinary shares in investee companies (Note 17) that are not quoted on any market and do not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques could be significant.

34D. 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 consist principally of cash balances with banks and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitment at the end of the reporting year. Credit risk on cash balances with banks is limited because the counterparties are entities with acceptable credit ratings. For credit risk on receivables, an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by requisition of advance payment from customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

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

34D. Credit risk on financial assets (cont'd)

Cash and cash equivalents balances disclosed in Note 23 represents amounts with less than 90-days maturity.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (2017: 30 to 90 days). But some customers take a longer period to settle the amounts.

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group	
	2018	2017
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	1,986	1,586
30 – 60 days	1,069	1,152
61 – 90 days	1,343	800
	4,398	3,538

(b) Ageing analysis of trade receivable amounts that are impaired at end of reporting year:

	Group	
	2018	2017
	$'000	$'000
Over 90 days	376	–

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $376,114 (2017: $Nil) that are determined to be impaired at the end of reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

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

	Group	
	2018	2017
	$'000	$'000
Top 1 customer	202	404
Top 2 customers	336	541
Top 3 customers	454	911

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

34E. 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	1 to 5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000
Group				
2018:				
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
2017:				
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	1 to 5 years	More than 5 years	Total
	$	$	$	$
Company				
2018:				
Trade and other payables	2,205	–	–	2,205
2017:				
Trade and other payables	470	800	–	1,270

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 60 days (2017: 30 to 60 days). The other payables are with short–term durations. The classification of financial assets is shown in the statements of financial positions as they may be available to meet liquidity needs and no further analysis is deemed necessary.

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

34F. 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		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial liabilities:				
Fixed rates	7,720	6,601	–	800
Floating rates	39,971	36,690	–	–

The analysis has been performed for fixed interest rate and floating interest rate over a year for financial instruments. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. 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).

Sensitivity analysis: The effect of pre-tax profit is not significant.

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). The group is exposed to equity price risk arising from its investment in quoted equity securities. These securities are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and are classified as held for trading.

The group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility.

Sensitivity analysis for equity price risk

If the marketable securities were recorded at the current market price at the date of this report, the group's fair value gain on quoted shares and net profit or loss for the year would have been approximately loss of $1,640,641 and nil (2017: gain of $1,307,000 and $539,000) respectively, arising from a fair value loss on investment in equity instruments classified as fair value through profit and loss.

A hypothetical 10% increase in the market index of quoted equity shares would have an effect on pre-tax profit of $118,000 and other comprehensive income before tax of $118,000.

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

34G. 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
2018:				
Financial assets:				
Cash and cash equivalents	37	7,768	1,941	9,746
Loans and receivables	203	–	3,116	3,319
Total financial assets	240	7,768	5,057	13,065
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 assets/(liabilities)	(6,990)	6,338	(766)	(1,418)
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
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.

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

34G. Foreign currency risks (cont'd)

Sensitivity analysis:

	2018 $'000	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	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	(634)	(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	(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.

35. Changes and adoption of financial reporting standards

For the current reporting year new or revised Singapore Financial Reporting Standards in Singapore and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 7	Amendments to FRS 7: Disclosure Initiative
FRS 12	Amendments to FRS 12: Recognition Of Deferred Tax Assets For Unrealised Losses

(In Singapore Dollars)

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

The Singapore Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange Securities Trading Limited will apply a new financial reporting framework identical to the International Financial Reporting Standards for the reporting year ending 31 December 2018 onwards.

The group expects that the adoption of the new financial reporting framework will have no material impact on the financial statements in the year of initial application.

In addition to the adoption of the new financial reporting framework, the group will apply the Singapore Financial Reporting Standards (International) ("SFRS(I)") with effect from annual periods beginning on or after 1 April 2019.

For the future reporting periods, new and revised SFRS(I) and the related Interpretations to SFRS(I) ("SFRS(I) INT") applicable to the Group were issued by the Singapore Accounting Standards Council as below and these will only be effective for future reporting periods.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)	1 Jan 2018
SFRS(I) 9	Financial Instruments	1 Jan 2018
SFRS(I) 15	Revenue from Contracts with Customers. Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers	1 Jan 2018
SFRS(I) 16	Leases and Leases - Illustrative Examples & Amendments to Guidance on Other Standards	1 Jan 2019

Management has performed a preliminary assessment of the impact of SFRS(I) 9 on the financial statements based on an analysis of the entity's financial assets and on the basis of the fact and circumstances that exist as at 31 March 2018. Concerning impairment of financial assets such as loans and receivables, the entity expects to apply a simplified approach to recognise lifetime ECL for these financial assets. Management is currently assessing the extent of this impact and they anticipate that the application of the ECL model of SFRS(I) 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review that is in progress has been completed. In particular, the implementation of the new ECL model proves to be challenging and might involve significant modifications to the entity's credit management systems.

On the basis of the current accounting treatment of the major sources of revenue (see accounting policy in Note 2 and disclosures in Note 4 on revenue) the management does not anticipate that the application of SFRS(I) 15 will have a material impact on the financial position and / or financial performance of the entity, apart from providing more extensive disclosures on the revenue transactions. However, as the entity is still in the process of assessing the full impact of the application of SFRS(I) 15 on the financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the detailed review is completed.

36. New or amended standards in issue but not yet effective (cont'd)

SFRS(I) 16 Leases is effective for annual periods beginning on or after 1 January 2019 and it replaces SFRS(I) 1-17 and its Interpretations. For the lessee, the biggest change introduced is that 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 lessor, the accounting remains largely unchanged and the distinction between operating and finance leases is retained.

SFRS(I) 16 will be adopted in the financial statements when it becomes mandatory, with the following effects: For the entity's non-cancellable operating lease commitments of $7,138,001 as at 31 March 2018 (Note 32), a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under SFRS(I) 16. Thus, the reporting entity 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 upon the application of SFRS(I) 16 – 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.

Companies listed on the Singapore Exchange ("SGX") currently reporting under SFRSs are required to comply with new Singapore Financial Reporting Standards (International) (SFRS(I)s (issued by the Singapore Accounting Standards Council) that would be equivalent to the International Financial Reporting Standards ("IFRS") (issued by the International Accounting Standards Board (IASB)) for reporting years beginning on after 1 January 2018. The new framework is referred to as SFRS(I)s. Non-listed companies may elect to voluntarily apply SFRS(I)s. SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be adopted in the financial statements when it becomes mandatory. Based on the current accounting treatment of the account balances management does not anticipate that the application of SFRS(I) 1 will have a material impact on the financial position and / or financial performance of the entity. However, as the entity is still in the process of assessing the full impact of the application of SFRS(I) 1 on the financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the detailed review is completed.

SHAREHOLDERS INFORMATION

As at 22 June 2018

SHAREHOLDERS' INFORMATION AS AT 22 JUNE 2018

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	33	1.57	922	0.00
100 - 1,000	548	26.05	353,179	0.39
1,001 - 10,000	1,197	56.89	5,147,819	5.70
10,001 - 1,000,000	316	15.02	17,299,842	19.16
1,000,001 and above	10	0.47	67,485,641	74.75
	2,104	100.00	90,287,403	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
<u>Substantial Shareholders</u>				
Precious Stream Holdings Limited [(1)]	–	–	12,800,000	14.18
Weng Huixin [(1)]	–	–	19,966,833	22.11
Oon Koon Cheng	13,157,894	14.57	–	–
Bestway Premium Investments Pte Ltd	7,301,455	8.09	–	–
Joshua Huang Thien En	4,900,000	5.43	–	–

Notes:

1. Weng Huixin is deemed interested in the Company's shares held by Precious Stream Holdings Limited, which is a company wholly owned by Weng Huixin. The shares are registered in the name of DBS Vickers Securities (S) Pte Ltd. Out of the 19,966,833 Shares, 7,166,833 Shares is held by Weng Huixin under DBS Vickers Securities (S) Pte Ltd and 12,800,000 Shares held by Precious Stream Holdings Limited, under DBS Vickers (Securities) Pte Ltd.

SHAREHOLDERS INFORMATION

As at 22 June 2018

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	DBS Vickers Securities (S) Pte Ltd	27,201,173	30.13
2.	Citibank Nominees Singapore Pte Ltd	13,791,988	15.28
3.	Bestway Premium Investments Pte. Ltd.	7,301,455	8.09
4.	Joshua Huang Thien En	4,900,000	5.43
5.	Kwek Chng Sun Lionel (Guo Zhengsheng)	4,252,920	4.71
6.	Li Hua	3,738,700	4.14
7.	Nah Ee Ling (Lan Yiling)	1,811,632	2.01
8.	Zeng Fuzu	1,799,362	1.99
9.	Raphael Tham Wai Mun	1,460,400	1.62
10.	Eu-Nic Builders Pte Ltd	1,228,011	1.36
11.	Yap Keng Ann (Ye Jingan)	706,382	0.78
12.	OCBC Securities Private Ltd	705,486	0.78
13.	Maybank Kim Eng Securities Pte Ltd	554,753	0.61
14.	UOB Kay Hian Pte Ltd	526,880	0.58
15.	Tan Kay Toh or Yu Hea Ryeong	518,140	0.57
16.	DBS Nominees Pte Ltd	476,799	0.53
17.	Phillip Securities Pte Ltd	413,045	0.46
18.	United Overseas Bank Nominees Pte Ltd	390,189	0.43
19.	Sim Teck Huat	380,100	0.42
20.	Teo Chor Kok	310,000	0.34
		72,467,415	80.26

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

43.48% 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 Tuesday, 31 July 2018 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 2018 ("**FY2018**") together with the Auditors' Report thereon. **(Resolution 1)**

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

Mr Li Hua	(Retiring pursuant to Regulation 89)	**(Resolution 2)**
Mdm Weng Huixin	(Retiring pursuant to Regulation 89)	**(Resolution 3)**

   Mr Li Hua will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee.

   Mdm Weng Huixin will, upon re-election as a Director of the Company, remain as a member of the Audit and Risk Management Committee and Remuneration Committee. Mdm Weng Huixin will be considered non-independent for purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors' fees of S$200,000 for the year ending 31 March 2019, to be paid quarterly in arrears (FY2018: 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 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:

6. **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) the 50% limit in sub-paragraph (1) above may be increased to 100% for issue of Units and/or Instruments by way of a renounceable rights issued where shareholders of the Company are entitled to participate in the same on a pro-rata basis ("**Enhanced Rights Issue Limit**");

(4) 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

(5) 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 (i)] **(Resolution 6)**

7. **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 (ii)] **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

8. **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 (iii)] **(Resolution 8)**

By Order of the Board

Li Hua
Executive Chairman and Chief Executive Officer

Singapore, 16 July 2018

Explanatory Notes on Resolutions to be passed:

(i) The Ordinary Resolution 6 proposed in item 6 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.

<u>Enhanced Rights Issue Limit</u>

With regard to item 6(b)(3), the mandate for the issue of shares pursuant to a pro-rata renounceable rights issue is subject to conditions set out in Practice Note 8.3 dated 13 March 2017. The Company will release immediate announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in its annual report. The Board is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its 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.

(ii) 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 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.

(iii) The Ordinary Resolution 8 proposed in item 8 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 16 July 2018 to the Annual Report 2018.

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)

PROXY FORM

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.

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 Tuesday, 31 July 2018 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 2018 and the Auditors' Report thereon		
2	Re-election of Mr Li Hua as a Director		
3	Re-election of Mdm Weng Huixin as a Director		
4	Approval of Directors' fees of S$200,000 for the year ending 31 March 2019		
5	Re-appointment of RSM Chio Lim LLP as Auditors		
AS SPECIAL BUSINESS			
6	Authority to allot and issue shares		
7	Authority to grant awards and/or issue shares under the Performance Share Plan		
8	Renewal of Share Purchase Mandate		

Dated this __________ day of ______________________ 2018

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 16 July 2018.

USP Group Limited

USP Group Limited
(Company Registration Number: 200409104W)

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