Company registration number - 200409104W

(Incorporated in Singapore)

Condensed Interim Financial Statements

For the six months and full year ended 31 March 2022

USP Group Limited
(Incorporated in Singapore)
(Co. Reg. No: 200409104W)

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USP Group Limited
(Incorporated in Singapore)
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CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Six Months Ended 30 September 2021 S$,000 (Unaudited)	Six Months Ended 30 September 2020 S$,000 (Unaudited)	Change %	Twelve Months Ended 31 March 2022 S$,000 (Unaudited)	Twelve Months Ended 31 March 2021 S$,000 (Audited)	Change %
Revenue	**4**	20,571	19,558	5.18	40,944	34,077	20.15
Cost of sales		(11,957)	(13,021)	(8.17)	(24,712)	(22,237)	11.13
Gross profit		**8,614**	**6,537**	31.77	**16,232**	**11,840**	37.09
Other income	**5**	3,709	73	N/M	4,301	448	N/M
Selling and distribution expenses		(329)	(181)	N/M	(566)	(405)	39.75
General and administrative expenses		(6,869)	(7,196)	(4.54)	(12,397)	(11,509)	7.72
Finance costs		(774)	(1,191)	(35.01)	(1,284)	(1,793)	(28.39)
Profit/(loss) before tax from continuing operations	**6**	**4,351**	**(1,958)**	N/M	**6,286**	**(1,419)**	N/M
Income tax	**7**	1,002	195	N/M	952	150	N/M
Profit/(loss) after income tax from continuing operations		**5,353**	**(1,763)**	N/M	**7,238**	**(1,269)**	N/M
Discontinued operations							
Profit from discontinued operations, net of tax		–	34	(100.00)	–	–	N/M
Profit/(loss) for the period		**5,353**	**(1,729)**	N/M	**7,238**	**(1,269)**	N/M
Profit/(Loss) for the period attributable to:							
Owners of the Company		5,379	(1,172)	N/M	7,259	(1,250)	N/M
Non-controlling interests		(26)	(17)	N/M	(21)	(19)	10.53
		5,353	**(1,729)**	N/M	**7,238**	**(1,269)**	N/M
Earnings per share attributable to equity holders of the Company							
- **Basic and diluted profit/(loss) per share**	**15**	**5.96**	**(1.75)**	N/M	**8.04**	**(1.28)**	N/M
Items that may be reclassified subsequently to profit & loss account:							
Foreign exchange translation		162	1,083	N/M	96	(227)	N/M
Total comprehensive income/(loss) for the period		**5,515**	**(646)**	N/M	**7,334**	**(1,496)**	N/M
Profit/(Loss) for the period attributable to:							
Owners of the Company		**5,541**	**(629)**	N/M	**7,355**	**(1,477)**	N/M
Non-controlling interests		**(26)**	**(17)**	**52.94**	**(21)**	**(19)**	**10.53**
		5,515	**(646)**	N/M	**7,334**	**(1,496)**	N/M

"NM" – Not meaningful

USP Group Limited
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CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (GROUP AND COMPANY)

	Note	Group S$'000		Company S$'000	
		31 March 2022 S$,000 (Unaudited)	**31 March 2021 S$,000** (Audited)	**31 March 2022 S$,000** (Unaudited)	**31 March 2021 S$,000** (Audited)
Non-current assets					
Property, plant and equipment	**8**	22,806	25,144	304	376
Investment properties	**9**	28,500	26,000	–	–
Investments in subsidiaries		–	–	2,397	1,197
Intangibles	**10**	460	459	–	–
Deferred tax asset		373	368	–	–
Total non-current assets		**52,139**	**51,971**	**2,701**	**1,573**
Current assets					
Cash and cash equivalents		6,126	4,970	882	350
Trade and other receivables		5,801	5,227	9,906	9,614
Tax receivable		59	–	–	–
Inventories		10,061	9,777	–	–
Total current assets		**22,047**	**19,974**	**10,788**	**9,964**
Total assets		**74,186**	**71,945**	**13,489**	**11,537**
Current liabilities					
Trade and other payables		5,741	5,881	5,144	4,398
Contract liabilities		209	904	–	–
Borrowings	**11**	16,314	17,157	1,108	123
Tax payable		48	82	–	–
Total current liabilities		**22,312**	**24,024**	**6,252**	**4,521**
Non-current liabilities					
Other payables		318	274	–	–
Deferred tax liabilities		191	1,481	–	–
Borrowings	**11**	21,743	23,772	162	162
Provisions		191	191	–	–
Liabilities for post-employment benefits		–	106	–	–
Total non-current liabilities		**22,443**	**25,824**	**162**	**162**
Total liabilities		**44,755**	**49,848**	**6,414**	**4,683**
Equity attributable to owners of the Company					
Share capital	**12**	51,172	51,172	51,172	51,172
Treasury shares	**13**	(99)	(99)	(99)	(99)
Other reserves		4,797	4,701	(355)	(355)
Accumulated losses		(26,406)	(33,665)	(43,643)	(43,864)
Total equity attributable to owners of the parent		**29,464**	**22,109**	**7,075**	**6,854**
Non-controlling interests		(33)	(12)	–	–
Total equity		**29,431**	**22,097**	**7,075**	**6,854**
Total equity and liabilities		**74,186**	**71,945**	**13,489**	**11,537**

USP Group Limited
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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Group Twelve Months Ended 31 March 2022 S$'000 (Unaudited)	Group Twelve Months Ended 31 March 2021 S$'000 (Audited)
Cash flow from operating activities		
Profit/(Loss) before income tax	**6,286**	**(1,419)**
Adjustments for:		
Bad debts written off	–	559
Deposits written off	–	60
Depreciation of property, plant and equipment	2,392	2,307
Fair value (gain)/loss on investment properties	(1,900)	2,000
Unrealised exchange (gains)/losses	94	(378)
Gain on disposal of property, plant and equipment	(297)	(252)
Gain on derivative financial instruments	–	(14)
Gain on disposal of financial assets at fair value through profit or loss	–	(1,037)
Impairment loss on other receivables	–	57
(Reversal of)/impairment loss on trade receivables, net	(839)	13
Intangible assets written off	–	1
Interest expense	1,284	1,467
Interest expense on lease liabilities	–	326
Interest income	(40)	(55)
Inventory written down	–	271
Non-cash rent concession	–	(78)
Operating cash flows before working capital changes	**6,980**	**3,828**
Trade and other receivables	214	164
Inventories	(303)	1,307
Trade and other payables	(1,689)	(383)
Contract liabilities	(741)	612
Currency exchange translation	55	14
Cash flows generated from operations	**4,516**	**5,542**
Income tax paid	(329)	(137)
Net cash flows generated from operating activities	**4,187**	**5,405**
Investing activities		
Purchase of property, plant and equipment	(141)	(268)
Payment of deferred consideration	–	(350)
Proceeds on disposal of plant, plant and equipment	786	2,000
Proceeds from disposal of financial assets at fair value through profit or loss	–	1,037
Consideration deposit for disposal of a subsidiary	–	1,500
Interest received	40	55
Net cash flows generated from investing activities	**685**	**3,974**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

	Group Twelve Months Ended 31 March 2022 S$'000 (Unaudited)	Group Twelve Months Ended 31 March 2021 S$'000 (Audited)
Financing activities		
Proceeds from loans and borrowings	–	282
Repayment of loans and borrowings	(2,526)	(5,013)
Proceeds from loan from third party	1,000	–
Repayment of loan from third party	–	(150)
Increase in fixed deposits pledged	–	(66)
Repayment to shareholder	–	(1,500)
Repayment of lease liabilities	(331)	(432)
Interest paid	(984)	(1,302)
Net cash flows used in financing activities	**(2,841)**	**(8,181)**
Net increase in cash and cash equivalents	2,031	1,198
Cash and cash equivalents at beginning of period	1,345	147
Cash and cash equivalents as per statement of financial position	**3,376**	**1,345**
Note (a)		
Cash on hand and at bank	3,376	2,120
Fixed deposits	2,750	2,850
Cash and cash equivalents as per statement of financial position	**6,126**	**4,970**
Less: Fixed deposits pledged	(2,750)	(2,750)
Less: Bank overdraft	–	(875)
Cash and cash equivalents at end of period	**3,376**	**1,345**

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CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

Group	Share capital	Treasury shares	Other reserves	Accumulated profits/ (losses)	Equity attributable to owners of the Company	Non-controlling interests	Total Equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 April 2021	**51,172**	**(99)**	**4,701**	**(33,665)**	**22,109**	**(12)**	**22,097**
Profit for the period	-	-	-	7,259	7,259	(21)	7,238
Other comprehensive gain for the financial year	-	-	96	-	96	-	96
Balance at 31 March 2022	**51,172**	**(99)**	**4,797**	**(26,406)**	**29,464**	**(33)**	**29,431**
Balance at 1 April 2020	**51,172**	**(99)**	**4,928**	**(32,415)**	**23,586**	**7**	**23,593**
Profit for the period	-	-		(1,250)	(1,250)	(19)	(1,269)
Other comprehensive loss for the financial year	-	-	(227)	-	(227)	-	(227)
Balance at 31 March 2021	**51,172**	**(99)**	**4,701**	**(33,665)**	**22,109**	**(12)**	**22,097**

Company	Share capital	Treasury shares	Other reserves	Accumulated losses	Total Equity
	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 April 2021	**51,172**	**(99)**	**(355)**	**(43,864)**	**6,854**
Profit for the period	-	-	-	221	221
Balance at 31 March 2022	**51,172**	**(99)**	**(355)**	**(43,643)**	**7,075**
Balance at 1 April 2020	**51,172**	**(99)**	**(355)**	**(39,263)**	**11,455**
Loss for the period	-	-	-	(4,601)	(4,601)
Balance at 31 March 2021	**51,172**	**(99)**	**(355)**	**(43,864)**	**6,854**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

These condensed interim consolidated financial statements as at and for the six months ended 31 March 2022 and full year ended 31 March 2022 comprise the Company and its subsidiaries (collectively, the "Group"). The principal activity of the Company is an investment holding company and its subsidiaries' principal activities are trading and servicing of outboard motors, healthcare equipment and calibration tools, recycling of waste oil and property investment.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 31 March 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and the performance of the Group since the last interim financial statements for the period ended 30 September 2021.

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

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

2.1 New and revised standards

A number of amendments to Standards have become applicable for the current reporting period, which include the following amendments to SFRS(I)s which took effect from financial year beginning 1 January 2021:

- Amendments to SFRS(I) 16 Covid-19-Related Rent Concessions
- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16 Interest Rate Benchmark Reform – Phase 2.

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Critical Accounting Judgments and Estimates

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, there is no instance of application of judgments with significant updates since the audited financial statements as at 31 March 2021 and that is expected to have a significant effect on the amounts recognised in the condensed consolidated interim financial statements.

Going concern assumption

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

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

As at 31 March 2022, the Group has outstanding bank loan and trade financing of $4,349,000 (31 March 2021: $4,349,000) and $7,669,000 (31 March 2021: $8,352,000) respectively that were defaulted since 2019 and classified as current liabilities. Nonetheless, the Group has been making constructive repayments for these borrowings. As of the date of this announcement, the bank for these borrowings have not issued any demand for immediate repayment.

These factors indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and of the Company to continue as going concern. Nonetheless, the management is of the opinion that the use of the going concern basis in the preparation of the financial statements is appropriate, after taking into consideration significant developments as stated in Note 3 to the annual report for the financial year ended 31 March 2021 as well as the latest interim financial statements for the period ended 30 September 2021.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.2 Critical Accounting Judgments and Estimates (cont'd)

Key sources of estimation uncertainty

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

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

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

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

The Group uses provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will adjust historical credit loss experience with current and forward-looking information.

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

Valuation of inventories

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.2 Critical Accounting Judgments and Estimates (cont'd)

Impairment of non-financial assets

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

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

Fair value measurement for investment properties

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

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

The valuation techniques and significant unobservable inputs used to determine the fair value of the investment properties are further explained in Note 9. No impairment was recognised during the period.

Impairment of investments in subsidiaries

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

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

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Revenue

	The Group			
	Six months ended		Full year ended	
	30 September 2021 S$'000	30 September 2020 S$'000	31 March 2022 S$'000	31 March 2021 S$'000
Sale of marine equipment and accessories	**15,388**	15,101	**30,965**	26,312
Sale of scientific and precision equipment	**1,375**	1,349	**2,957**	2,349
Sale of recycling of waste oil	**1,532**	1,134	**2,959**	1,976
Rendering of marine equipment related services	**604**	174	**766**	304
Rendering of rental related services	**648**	453	**1,238**	789
Rental income	**1,024**	1347	**2,059**	2,347
	20,571	**19,558**	**40,944**	**34,077**
Timing of revenue recognition				
At point in time	**18,295**	**18,547**	**36,881**	**31,730**
Over time	**2,276**	**1,011**	**4,063**	**2,347**

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

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

Disaggregation of revenue by geographical area:

	Marine	Property investments	Calibration of environmental equipment	Recycling of waste oil	Others	Total
Geographical information						
2022						
Malaysia	27,515	–	120	–	–	27,635
Singapore	2,771	3,286	2,019	–	80	8,156
China/Hongkong/Indonesia/ India/ Pakistan	2,207	–	–	2,946	–	5,153
	32,493	**3,286**	**2,139**	**2,946**	**80**	**40,944**
2021						
Malaysia	22,134	–	–	–	–	22,134
Singapore	1,440	3,116	2,026	–	–	6,582
China/Hongkong/Indonesia/ India/ Pakistan	3,062	–	323	1,976	–	5,361
	26,636	**3,116**	**2,349**	**1,976**	–	**34,077**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4.1 Segment information

	Property investments $'000	Marine distributors and dealerships $'000	Calibration of environmental equipment $'000	Recycling of waste oil $'000	Others $'000	Eliminations $'000	Total $'000
31 March 2022							
Segment revenue							
Sales to external customers	3,286	32,493	2,139	2,946	80	–	**40,944**
Inter segment sales	–	1,992	133	–	2,938	(5,063)	**–**
Total revenue	3,286	34,485	2,272	2,946	3,018	(5,063)	**40,944**
Segment gain/(loss) before tax	863	3,587	(78)	142	1,772	–	**6,286**
Depreciation of property, plant and equipment	(16)	(680)	(228)	(1,277)	(191)	–	**(2,392)**
Fair value gain on investment properties	1,900	–	–	–	–	–	**1,900**
Gain on disposal of property, plant and equipment	–	297	–	–	–	–	**297**
Interest expenses	(450)	(608)	(17)	(1)	(208)	–	**(1,284)**
Interest income	–	–	–	–	40	–	**40**
Reversal of allowance for impairment loss of trade receivables	–	839	–	–	–	–	**839**
Segment assets	26,748	34,779	4,084	10,764	30,662	(33,310)	**73,727**
Unallocated assets							**459**
Total assets							**74,186**
Segment assets includes:							
Capital expenditure on property, plant and equipment	–	141	–	–	–	–	**141**
Segment liabilities	23,765	14,675	1,323	5,044	13,024	(13,316)	**44,515**
Unallocated liabilities							**240**
Total liabilities							**44,755**

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4.1 Segment information

	Property investments $'000	Marine distributors and dealerships $'000	Calibration of environmental equipment $'000	Recycling of waste oil $'000	Others $'000	Eliminations $'000	Total $'000
31 March 2021							
Segment revenue							
Sales to external customers	3,116	26,636	2,349	1,976	–	–	**34,077**
Inter segment sales	–	113	356	–	2,367	(2,836)	**–**
Total revenue	3,116	26,749	2,705	1,976	2,367	(2,836)	**34,077**
Segment gain/(loss) before tax	(1,686)	(383)	30	105	515	–	**(1,419)**
Bad debts written off	–	(559)	–	–	–	–	**(559)**
Depreciation of property, plant and equipment	(19)	(883)	(248)	(1,042)	(115)	–	**(2,307)**
Deposits written off	(10)	–	–	–	(50)	–	**(60)**
Fair value loss on investment properties	(2,000)	–	–	–	–	–	**(2,000)**
Gain on disposal of financial assets through profit or loss	–	–	–	–	1,037	–	**1,037**
Gain on disposal of property, plant and equipment	–	241	11	–	–	–	**252**
Impairment loss of other receivables	–	(57)	–	–	–	–	**(57)**
Impairment loss of trade receivables	–	(237)	–	–	–	–	**(237)**
Interest expenses	(519)	(781)	(45)	(281)	(232)	65	**(1,793)**
Interest income	–	48	65	1	6	(65)	**55**
Reversal of allowance for impairment loss of trade receivables	–	224	–	–	–	–	**224**
Write down of inventories	–	243	28	–	–	–	**271**
Segment assets	26,961	32,099	3,650	10,888	19,922	(22,007)	**71,513**
Unallocated assets							**432**
Total assets							**71,945**
Segment assets includes:							
Capital expenditure on property, plant and equipment	19	181	26	–	424	–	**650**
Segment liabilities	25,353	17,012	1,530	4,585	10,465	(10,660)	**48,285**
Unallocated liabilities							**1,563**
Total liabilities							**49,848**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5 Other income

	The Group			
	Six months ended		Full year ended	
	31 September 2021 S$'000	31 September 2020 S$'000	31 March 2022 S$'000	31 March 2021 S$'000
Fair value gain on derivative financial instruments	–	14	–	14
Fair value gain/(loss) on investment properties	1,900	(2,000)	1,900	(2,000)
Foreign exchange gain, net	379	582	600	802
Gain on disposal of financial assets at fair value through profit or loss	–	907	–	1,037
Gain on disposal of property, plant and equipment	293	198	293	252
Government grants	92	563	126	563
Gain on disposal of investment properties	–	–	–	–
Rent concession	–	78	–	78
Sublease income	–	175	–	175
Others	404	160	404	101
Interest income	6	25	40	55
Impairment loss on financial assets	536	(629)	839	(629)
Surrender of keyman insurance	99	–	99	–
	3,709	**73**	**4,301**	**448**

The fair value through profit or loss ("FVTPL") above pertained to investment in equity securities of an electronics contract manufacturer in Singapore. The value of the investment was fully written down during the financial year 31 March 2019. In the previous financial year, the Company has subscribed to an exit offer from the investee at $0.016 per share, amounting to proceeds of $1,037,000.

No Jobs Support Scheme government grant was recognised during the financial year (2021: $366,000) under the Jobs Support Scheme (the "JSS"). Under the JSS, the Singapore Government will co-fund gross monthly wages paid to each local employee through cash subsidies with the objectives of helping employers retain local employees during the period of economic uncertainty. In determining the recognition of the JSS grant income, management has evaluated and concluded that the period of economic uncertainty commenced in April 2020 when the COVID-19 pandemic started affecting the Company's operations.

Government grant income also includes rental relief of $Nil (2021: $74.000) and property tax rebate of $126,000 (2021: S$76,000) received from the Singapore Government to help businesses deal with the impact from COVID-19 pandemic.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6 Profit before taxation

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

	The Group			
	Six months ended		Full year ended	
	31 September 2021 S$'000	31 September 2020 S$'000	31 March 2022 S$'000	31 March 2021 S$'000
Bad debts written off - trade receivables	–	559	–	559
Depreciation of property, plant and equipment	1,155	1,294	2,392	2,307
Directors' fees *	284	173	445	173
Deposits written off	–	60	–	60
Inventories written down	–	271	–	271
Reversal of impairment loss on trade receivables	–	13	–	13
Impairment loss on other receivables	–	57	–	57
Professional fees	1,171	950	2,003	1,811
Property tax	163	256	339	256
Rental expenses	(177)	(113)	406	96
Rental rebate	–	173	–	173
Staff costs	3,481	2,265	5,093	4,365

* Directors fees of $241,527 are included for the services provided for the previous financial years as announced on 23 February 2022.

7 Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	The Group			
	Six months ended		Full year ended	
	31 September 2021 S$'000	31 September 2020 S$'000	31 March 2022 S$'000	31 March 2021 S$'000
Current income tax	(252)	66	(302)	111
Deferred income tax	1,254	(261)	1,254	(261)
	(1,002)	**(195)**	**952**	**(150)**

8 Property, plant and equipment

During the financial year ended 31 March 2022, the Group did not make any significant acquisition and disposal. The decrease is mainly attributable to annual depreciation charges.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9 Investment properties

	The Group	
	31 March 2022 S$'000	**31 March 2021 S$'000**
At fair value		
Balance at beginning of financial year	26,000	28,000
Addition	600	–
Net fair value gain/(loss) recognised in profit or loss	1,900	(2,000)
Balance at end of financial year	**28,500**	**26,000**

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

Description and location	**Existing use**	**Floor are (sqm)**	**Valuation Techniques**	**Tenure**	**Significant unobservable input (1)**
182, 184, 186 Woodlands Industrial Park E5, Singapore 757515	Workshops, offices and workers' dormitory	8,560.3	Direct comparison method	30 years lease commencing 25 April 2007	Price per square foot (1)
31 Shipyard Road, Singapore 628130	Factory, offices and shipyard	7,226.0	Replacement cost method	28 years commencing 1 July 1997	Price per square foot (1)

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

10 Intangible assets

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11 Borrowings

	The Group			
	Group		Company	
	31 March 2022 S$'000	31 March 2021 S$'000	31 March 2022 S$'000	31 March 2021 S$'000
Amount repayable within one year or less, or on demand				
Unsecured loans	1,283	477	162	123
Secured loans	15,031	16,680	–	–
	16,314	17,157	162	123
Amount repayable after one year				
Unsecured loans	4,488	4,626	1,108	162
Secured loans	17,255	19,146	–	–
	21,743	23,772	1,108	162
Total loans and borrowings	**38,057**	**40,929**	**1,270**	**285**

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

Referring to Note 24 of the FY2021 annual report, certain subsidiaries have defaulted on bank loan and trade financing of S$4,349,000 (2021: S$4,349,000) and S$7,669,000 (2021: S$8,352,000) respectively. These defaulted borrowings have already been classified in current liabilities.

12 Share Capital

	Group and Company			
	2022		2021	
	Number of issued shares '000	**Issued share capital S$'000**	Number of issued shares '000	Issued share capital S$'000
At 1 April/ 31 March	**90,287**	**51,172**	**90,287**	**51,172**

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

12. Share Capital

Ordinary Shares

7.4 million of performance shares ("the 7.4 million shares") were purportedly issued to a former CEO, Dr Lim Boh Soon ("Dr Lim"), during the quarter ended 30 September 2019. The Company takes the view that the shares were subject to be forfeited upon Dr Lim's resignation. A substantial shareholder had obtained an injunction against Dr Lim from exercising his rights to the 7.4 million shares. The Company had also commenced legal proceedings to forfeit the shares. Both legal actions by the substantial shareholder and the Company had been ordered by the High Court to be combined into a single action by way of a single writ for further disposition. Pursuant to the court proceedings commenced by the substantial shareholder, the said former CEO will not exercise his rights over the shares and will not dispose the 7.4 million shares.

An Order (by consent) was made on 18 January 2022 in that Dr Lim shall return the 7.4 million shares to the Company for cancellation.

On 25 February 2022, Dr Lim returned the 7.4 million shares to the Company. The Company has proceeded to cancel the 7.4 million shares on 22 March 2022.

For more information, please refer to the Company's announcements dated 25 March 2022, 23 February 2022, 20 February 2022, and the Company's amended Annual Report FY2021 released on 24 February 2022.

Performance Shares

There were no performance shares granted during the financial year (2021: Nil).

13. Treasury shares

	Group and Company			
	2022		2021	
	Number of issued shares	**$'000**	Number of issued shares	$'000
Balance at beginning and end of financial year	**634,600**	**99**	634,600	99

14. Net asset value

	Group		**Company**	
	31 March 2022	**31 March 2021**	**31 March 2022**	**31 March 2021**
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	32.60	29.61	7.84	7.59
No. of ordinary shares used in computing net asset value*	90,287,403	90,287,403	90,287,403	90,287,403

**This excludes the 7.4 million shares issued to Dr Lim Boh Soon. See note 13 above.*

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

15. Earning/(Loss) per share

	Group			
	31 September 2021	**31 September 2020**	**31 March 2022**	**31 March 2021**
(Loss)/profit per ordinary share from the group, after deducting any provision for preference dividends (in SGD cents):				
(a) Based on weighted average number of ordinary shares on issue; and	6.29	(1.73)	8.04	(1.28)
Weighted average number of ordinary shares for basic profits/ (losses) per share computation	90,287,403	90,287,403	90,287,403	90,287,403
(b) On a fully diluted basis	6.29	(1.75)	8.04	(1.28)
Weighted average number of ordinary shares adjusted for the effect for dilution	90,287,403	90,287,403	90,287,403	90,287,403

16. Subsequent event

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

OTHER INFORMATION

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

   The condensed interim consolidated statement of financial position of USP Group Limited and its subsidiaries as at 31 March 2022 and the related condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and full year and certain explanatory notes have not been audited or reviewed.

2. **Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-**
   a) Updates on the efforts taken to resolve each outstanding audit issue.
   b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

   Not applicable.

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

   a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
   b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF PERFORMANCE (2H 2022 VS 2H 2021)

Revenue

The Group recorded an increase in revenue of S$6.8 million from S$34.1 million in 2H 2021 to S$40.9 million in 2H 2022 or about 20.2% due mainly to increase in demand for outboard motors around Malaysia and Singapore. The Malaysian subsidiary has also secured new government contracts, as reflected in the increase in revenue from marine distributors segment from S$26.6 million to S$32.5 million (Note 4). Revenue from recycling of waste oil segment has also increased by S$1 million, due to upward adjustment in the selling price of biodiesel and the increase in the volume of biodiesel produced, by introducing a second phase of waste oil suppression. The market has started to show signs of recovery from Covid-19 pandemic, and this has also, led to the overall improvement in revenue.

Cost of sales

The cost of sales is S$2.5 million above last year of S$22.2 million. This was attributed to higher throughput, higher direct charges and fuel price. The increase in stockout and holding costs also contributed to the increase in cost of sales, as a result of delays in shipping and delivery, amidst the outbreak of Covid-19 pandemic which restrained the shipping resources.

Despite that, there was an increase in gross profit margin of 4.9 % from 36.5% in 2H 2021 to 37.4% in 2H 2022 as the Group is getting rebates from Mercury, the major supplier for achieving higher sales.

Other Income/(expenses), net

Other income increased by S$3.8 million, attributable mainly to the recognition of fair value gain of S$1.9 million for the property acquired by the Group and increase in the reversal of provision of expected credit loss ("ECL") in 2H 2022 of S$839,000. The Group is in the midst of recovering these balances as compared to the impairment provision of S$629,000 in 2H 2021.

OTHER INFORMATION

REVIEW OF PERFORMANCE (2H 2022 VS 2H 2021)

General and Administrative (‘G&A’) expenses

G&A expenses increased by S$888,000 (7.72%) from S$11.5 million in 2H 2021 to S$12.4 million in 2H 2022, due mainly to the increase in staff costs by S$2.3 million, depreciation by S$85,000 and upkeep of motor vehicle by S$77,000. These increases were alleviated by the decrease in impairment and write-off of financial assets of S$1.2 million, rental relief of S$150,000 and contingent liabilities of S$130,000. The analysis of major variances in general and administrative expenses is as follows:

Staff costs
Staff cost was S$2.3 million higher compared to 2H 2021 from S$2.8 million to S$5.1 million, due to the revision of staff payroll and the expansion of marine segment. to cater for the increased demand for outboard motors and repair services. Staff costs for marine segment alone has increased by S$1.5 million. The Group also took in the fees payable to the past directors of S$240,000 into 2H 2022.

Depreciation and upkeep of motor vehicles
Depreciation and upkeep of motor vehicles rose by S$85,000 and S$77,000 respectively. There was additional depreciation charges from new property, plant and equipment acquired of S$141,000 during the year. The motor vehicle related expenses were incurred by marketing team for marine segment in Malaysia and calibration of environmental equipment segment, to reach out physically to the existing and potential customers, with the lifting of Covid-19 restriction rules.

Impairment and write off of financial assets
There is no write off or impairment provided for financial assets which includes trade and other receivables, deposit, inventories in 2H 2022, which resulted in a decrease of S$1.2 million.

Rental relief and contingent liabilities
Rental relief decreased by S$150,000, due to the support given by the government being no longer available this year whi. Decrease in contingent liabilities by S$130,000 is due to the payment requested by the court for one of the Group’s legal cases in 2H 2021.

Finance Costs

The decrease in finance costs by S$509,000 compared to the 2H 2021 is mainly due to loan repayment of approximately S$2.5 million to the bank. This will slowly improve the gearing ratio of the Group by repaying the defaulted loans.

Income tax

The Group has recognised tax credit from the reversal a total of S$1.3 million deferred tax liabilities due to the fair value gain on property, plant and equipment of marine distributor segment and recycling of waste oil segment that was presented at a higher value is being amortised and depreciated to a lower carrying amount. There is also, the tax expense incurred by Malaysian subsidiary of S$297,000.

Profit Before Tax

The Group reported a profit before tax (“PBT”) of S$6.3 million in 2H 2022 as compared to a loss of S$1.4 million in 2H 2021. The improvement of S$8 million was mainly due to the improvement in the marine segment and property investments segment which contribute about S$3.9 million and S$2.5 million improvement respectively to the PBT. Also, other segments improved by S$1.3 million in PBT to S$1.8 million in 2H 2022 from S$515,000 in 2H 2021.

Marine segment has improved along with the efforts made by the sales team in marketing the products which led to record breaking year for the Group with Mercury, by targeting various markets which includes tourism, leisure, agriculture, and governmental projects to promote sustainability to the business.

OTHER INFORMATION

REVIEW OF PERFORMANCE (2H 2022 VS 2H 2021)

Profit Before Tax (cont'd)

Investment properties and recycling of waste oil are recovering from the Covid-19 pandemic. The Group is expected to benefit from the recent rising oil prices, as the biodiesel could serve as an alternative energy. However, there is a limit where the investment properties segment can grow as there is a reduction in the actual headcount capacity in dormitory back in 2020. With the intra-group elimination on the finance cost and loan principal payment made on behalf by Koon Cheng Development Pte Ltd to USPP Woodland Pte Ltd ('USPPW'), the investment properties segment would have been at a loss position of S$1.4 million considering the impairment of S$2.3 million made against receivables from USPP due to its inability to make such repayment to Koon Cheng Development Pte Ltd.

Other segments improved to S$1.7 million in 2H 2022 from S$515,000 in 2H 2021, mainly due to the fair value gain on investment property, which is reduced by increases in the staff costs and professional fees.

Non-Current Assets

As at 31 March 2022, the Group's total non-current assets of S$52.1 million was S$168,000 higher compared to S$51.9 million as at 31 March 2021. The fair value gain of S$1.9 million from investment properties and the addition of S$600,000, was partially offset by lower property, plant and equipment as a result of annual depreciation charges of S$2.3 million.

Current Assets

Cash and cash equivalent increased by S$1.1 million. The net cash inflow from operating activities of S$4.1 million was reduced by S$2.8 million for the repayment of borrowings. Trade and other receivables increased by S$574,000 from S$5.2 million in 2H 2021 to S$5.8 million in 2H 2022, due to increase in deposit placed with Mercury to increase its purchase credit limit, to cope with the increasing demand for marine equipment in Malaysia and Singapore market.

Inventory increased by S$284,000 from S$9.7 million in 2H 2021 to S$10.0 million in 2H 2022, due to the receipt of a bulk purchase in Q4. Despite the increase in inventory as at year end, the disruption of supply chain and delay in logistics had increased the lead time to receive the stock ordered to the extent of 8 months. The Group has been reinvesting the funds generated from operating activities into stock purchase, thereby resulting in a higher inventory level.

Current Liabilities

The decrease in current liabilities was contributed by repayment to suppliers of S$440,000 and recognition of sales from advance payments received from customers amounting to S$904,000 with the additional advance payments received of S$209,000, as most sales has been delivered in Q1 of FY2022. The Group's borrowings had also been pared down to S$16.3 million from S$17.2 million mainly due to the progressive repayments of S$2 million and draw down from a third party of S$1 million.

Non-current Liabilities

Decrease in non-current liabilities was contributed by the reversal of deferred tax liabilities of $1.3 million due to the fair value gain on property, plant and equipment of marine distributor segment and recycling of waste oil segment which is amortised and being presented at a lower carrying amount. The borrowings decreased by S$2 million due to repayments. As of 31 March 2021, the Group had outstanding bank loan and trade financing of $4,349,000 (31 March 2021: $4,349,000) and $7,669,000 (31 March 2021: $8,352,000) respectively that were defaulted since 2019 and classified as current liabilities.

OTHER INFORMATION

REVIEW OF PERFORMANCE (2H 2022 VS 2H 2021)

REVIEW OF FINANCIAL POSITION AND CASH FLOW STATEMENT

Cash Flow

During 2H 2022, cash and cash equivalents rose by S$833,000 to S$2 million, driven by positive net cash inflows from operating activities and investing activities. These are offset by the cash outflows from financing activities via repayment of loans.

The Group's 2H 2022 net cash from operating activities of S$4.2 million was S$1.2 million lower compared to 2H 2021 of S$5.4 million. The decrease was mainly due to higher cash outflows from the purchase of inventories and payment to suppliers of S$1.6 million.

Net cash outflows from investing activities amounted to S$685,000 comprising proceeds from the disposal of a building in Indonesia of S$786,000 and this is reduced by the cash outflow for the purchase of equipment amounting to S$141,000.

Net cash outflows from financial activities amounting to S$2.8 million were primarily for the repayment of borrowings and the corresponding interest expense.

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

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

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

   Distributorship
   Despite the ongoing Covid-19 pandemic, the Group's marine business continues to outperform. The Group will continue to focus on its operations in Malaysia and take necessary measures to reduce its operating expenses in Indonesia.

   Recycling of waste oil
   The proposed disposal of Biofuel Research Pte Ltd ("**Biofuel Research**") with AJ Jetting was terminated. The Group has since proceeded to explore various options to ensure viability of Biofuel Research's operations. The Group has, through its research and development team, commenced and will continue to explore various projects under Biofuel Research.

   Property Investments
   Despite the ongoing Covid-19 pandemic, the occupancy rate of the Group's dormitory business has been consistently above 90%.

   Marine, Oil and Gas Support Services and Manpower Services
   The Group's newly incorporated subsidiary, Darts Engineering Pte Ltd, has expanded and will continue to expand the Group's engineering capacity in these segments.

OTHER INFORMATION

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

Production of farm feed
Biofuel Research has recently concluded a successful maiden production trial run for its Black Soldier Fly ("**BSF**") Farm Project. BSF may be used as a method for managing organic food waste and its larvae may be used as feed for fowls and fish. Biofuel is constructing the nursery for the BSF before it proceeds with mass production of the BSF.

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

A. Litigations where the Company is a Plaintiff:
1. High Court ("**HC**") Suit No. S116/2019 in relation to the return of 7.4 million shares issued to Dr Lim
2. HC Suit No. S328/2020 in relation to a sale and purchase agreement of Koon Cheng Development Pte Ltd
3. HC Suit No. S292/2021 in relation to a loan agreement between Mr Oon Koon Cheng and the Company
4. HC Suit No. S855/2020 in relation to the Circular issued for the Company's Extraordinary General Meeting on 10 February 2020
5. HC Suit No. S88/2021 in relation to the acquisition of three (3) Eco Fuel Production Plants
6. HC Suit No. S130/2021 in relation to the breach of fiduciary duties
7. Originating Summons ("**OS**") No. OS1270/2021 in relation to disputed invoices rendered by Fervent Chambers LLC ("**Fervent**") to the Company

B. Litigations where the Company is a Defendant:
1. HC Suit No. S115/2019 in relation to the 7.4 million shares awarded to Dr Lim
2. HC Suit No. S612/2020 in relation to Mr Oon Koon Cheng's claim for conspiracy
3. Bill of Costs ("**BC**") No. BC 77/2021 in relation to a disputed invoice rendered by Fervent
4. BC No. BC 81/2021 in relation to a disputed invoice rendered by Fervent
5. BC No. BC 82/2021 in relation to a disputed invoice rendered by Fervent
6. BC No. BC 83/2021 in relation to a disputed invoice rendered by Fervent
7. BC No. BC 100/2021 in relation to a disputed invoice rendered by Fervent
8. BC No. BC 101/2021 in relation to a disputed invoice rendered by Fervent

(a) In respect of A(1) and B(1), please refer to Note 12 above, the Company's announcements dated 25 March 2022, 23 February 2022, 20 February 2022, and the Company's amended Annual Report FY2021 released on 24 February 2022.

(b) In respect of A(7), please refer to the Company's announcement dated 25 March 2022.

(c) In respect of B(3) to B(8), please refer to the Company's announcements dated 16 November 2021, 19 November 2021, 25 November 2021 and 4 December 2021.

(d) In respect of other litigations, as the litigations are still ongoing, quantification of the financial impact is not available at this point in time.

OTHER INFORMATION

6. **Dividend information**

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

    No dividend is declared.

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

    No.

    c) Date payable:

    Not applicable

    d) Book closure date:

    Not applicable.

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

    No dividend is recommended for FY2022 as the Group intends to conserve cash for working capital use.

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

    The Company does not have any IPT mandate

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

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

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

    We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the condensed interim financial results for the full year ended 31 March 2022 to be false or misleading in any material aspect.

By Order of the Board
USP GROUP LIMITED

Tanoto Sau Ian
CEO, Executive Officer, Managing and Executive Director
13 May 2022