USP

USP Group Limited

GOING AGAINST THE CURRENT

ANNUAL REPORT 2020

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 160 staff and net assets of over S$24 million across 4 countries. Headquarted in Singapore, its core business areas include marine distribution and property development.

CONTENTS

CORPORATE MILESTONES

2020

- Despite the Covid-19 pandemic, the Group produced profitable Q1 and Q2 results of FY2021.
- Started a new subsidiary "Theme A Properties Pte. Ltd. and obtained CEHA-licensed property agency licence to carry out property agency work. Negotiating with developers and land owners of Indonesian properties for marketing and sale in Singapore.
- Incorporated in 2021 "Theme A Investment Holdings Pte Ltd" was started to facilitate identifying and investing in new business opportunities for the Group.
- Ongoing plans to expand the Indonesian markets for the marine engine and boat business - markets identified are Batam and Palembang. Discussions are also ongoing with an institutionalized firm to provide micro-financing for potential clients in Indonesia.
- Managed to return 16 Joo Koon Circle to JTC without any penalties. This unused plot of land is a recurrent liability and expense to the Group.

2019

- Continued to make progress in the marine engine business. Won several significant government contracts in both Malaysia and Singapore. Renewal of Mercury Distributorship for 4 countries.

2018

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

2017

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

2016

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

2015

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

2014

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

2013

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

2007

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

2004

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

CHAIRMAN'S **MESSAGE**

DEAR SHAREHOLDERS

FY2020 has been an exhilarating experience.

The Group faced the onset of the global Covid-19 outbreak at the beginning of 2020. This outbreak wreaked havoc on the global economy and businesses everywhere.

Yet despite this, the USP Group Limited had been able to stem the tide of losses for the past years. Instead of the past years of losses including FY2020 which were in millions of dollars, the Group's Q1 and Q2 results of FY2021 showed up profits instead, putting a brake on the slide in losses.

This is largely due to the strong support from the Management, staff and workers who underwent pay-cuts and effective cost-cutting measures. Complementing this, Management's careful planning and timely execution of effective streamlining measures of the Group's businesses also ensured the success that had been achieved.

BUSINESS PROSPECTS

Moving forward, the Group envisions that the traditional businesses of the Group will continue their exponential growth due to careful calibration and planning.

At the same time, Management with the guidance of the Board, is also checking out new business opportunities with prospective partners and investors, to bring maximum value to the shareholders and ensuring sustainability for the longer term. I am confident that some of these exciting new business ideas will be crystallised in the immediate future.

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 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 the outgoing directors for their past contributions to the Group. At the same time, I welcome the incoming board members and I look forward to working closely with each one of you to lead the Group to even greater heights.

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

DJOHAN SUTANTO
Non-Executive Chairman

BOARD OF DIRECTORS

MR DJOHAN SUTANTO

Non-Executive Chairman & Independent Director

Mr Djohan Sutanto is the Non-Executive Chairman and Independent Director of USP Group Limited. He is also the Chairman of the Nominating Committee and a member of the Audit and Risk Committee and Remuneration Committee.

Mr Sutanto obtained his Bachelor degree and Master of Architecture from the University of Houston, Texas, USA. Previously, the President of CESMA International Pte Ltd, a subsidiary of the Singapore Housing & Development Board, and a Director of Nicoll Corporate Advisory Pte Ltd., Mr Sutanto had actively helmed the architectural design of HDB projects for several years. Apart from this, Mr Sutanto had also held leading roles in the following prominent companies:

- Vice President Director of PT. Danayasa Arthatama, Tbk, a company later listed in Jakarta Stock Exchange (JSX)
- Corporate Secretary of PT. Jakarta International Hotels & Development, Tbk (JSX)
- COO of L&M Group Investment Ltd (SGX)
- President Director of PT. Cyber City Indonesia,
- President Director of PT. L&M System Indonesia,
- Independent Commissioner of PT. Jakarta International Trade Fair,
- Vice President Director of PT. Siwani Makmur, Tbk (JSX),
- Independent Commissioner of Citra Marga Nusaphala Persada, Tbk (JSX),
- COO of PT. Sarana Yukti Bandhana (SYB),
- Director of PT. SYB Land and PT. Uang Kita

One of his significant achievements was his leading role in the planning and implementation of a 45 hectares mixed use property development project in central Jakarta known as SCBD. Presently, Mr Sutanto is the President of the Lions Club Jakarta Ruby Prima. Altogether Mr Sutanto has more than 40 years of experience in senior management covering various industries such as architecture design, building and infrastructure construction, interior design, property development, information technology, remittance and F&B.

MR TANOTO SAU IAN ERIC

Chief Executive Officer & Executive Director

Mr Tanoto Sau Ian Eric is the Chief Executive Officer and Executive Director of USP Group Limited. He is also a member of the Nominating Committee.

Mr Tanoto has more than 20 years of professional and work experience spanning across multiple disciplines. His experience includes:

- Previous market research and treasury work in SIMEX,
- Treasury, trading and financial works in HSBC MARKETS and OCBC
- Financial Advisory work in the Avallis Group, which offers private and investment banking services as well as trust and wealth management.
- Managing an international company known as Xusit I/E Pte Ltd, a company based in Shanghai China, and a manufacturer of wood products for the Chinese and Indonesian markets
- Brief stints with the Malaysian Palm Oil Board in China, China National Petroleum Corporation (Beijing), and the China Australia Chamber of Commerce (AustChem Beijing), which deals with municipal wastewater treatment projects in China

In Indonesia, Mr Tanoto was working closely as a Consultant with an array of legal counsels, notably Nugraha, Leman and Partners, where he specialised in the strategic analysis and handling of dispute resolution matters for both local and international clients. He was also involved in multiple cross-border corporate joint ventures, impact investments, private equity investments and financial projects with various Indonesian business groups.

Mr Tanoto's entrepreneurial instincts coupled with his vast business network in Indonesia and China, will be pivotal in the regeneration of USP Group Limited's new business parameters.

BOARD OF DIRECTORS

MR JOSEPH TAN CHIN AIK

Independent Non-Executive Director

Mr Joseph Tan Chin Aik is an Independent Non-Executive Director and the Chairman of the Remuneration Committee. Mr Tan is also a member of Audit and Risk Management Committee and Nominating Committee.

Mr Tan holds a Bachelor of Law (Honours) degree from the National University of Singapore and was called to the local Bar as an Advocate and Solicitor in 1996. He is a veteran lawyer who has more than 2 decades of active legal work and services, handling cases of multiple disciplines and fields. Mr Tan was the founding director of Atkins Law Corporation, a Consultant with Nanyang Law LLC, and presently a consultant of the vibrant and newly formed Fervent Chambers LLC. He has vast experience relating to ethics and governance in legal practice and other disciplines, having been voted into the Council of the Law Society of Singapore in 2007 as a Council Member.

Mr Tan is deeply conversant in the areas of Chinese Intellectual Property and corporate litigation, having been actively immersed and monitoring developments in these fields since 2009, when he began his involvement in China as a member of the China-Asean-Legal-Cooperation-Forum.

Mr Tan believes that the continuing rise of Chinese corporate undertakings globally to be most promising and will be even more significant in the immediate future. With the unabated Chinese interest and trust in having their companies listed in SGX, this premise and poise of theirs will translate to exponential growth and opportunities for local corporations and partnerships for the future. Mr Tan intends to continue his role as a fulcrum for enterprising local corporations to work with such Chinese corporations venturing out of China into Singapore.

MR CHIA HENG CHIAN

Independent Non-Executive Director

Mr Chia Heng Chian is an Independent Non-Executive Director and Chairman of the Audit and Risk Committee. He is also a member of the Remuneration Committee.

Mr Chia is a Fellow of CPA Australia and a Chartered Accountant, Singapore. He is an alumni of the University of New South Wales, Sydney, alumni of PWC Singapore and EY Singapore. He holds a degree in Bachelor of Commerce with majors in Accounting, Finance and Systems and a Certificate in Risk Management Assurance from The Institute of Internal Auditors Singapore. His experience is in risk management and corporate governance, forensic audit, internal audit and assurance audit. His work experience has spanned countries in Southeast Asia, Europe and Africa. He conducted training in Internal Controls and Risks Management and has developed the Standard Operating Procedures for a group of companies, and was the Management Representative for ISO 9001. He has more than 33 years of management experience in various roles and currently as CFO for a semiconductor research and fabrication company.

Mr Chia has served as President of University of New South Wales, Singapore Chapter, Immediate Past Honorary Treasurer for a Canossian Charity, and Honorary Auditor for the neighbourhood committee in BBECC.

OPERATIONS REVIEW

Despite the global outbreak of Covid-19 pandemic in April 2020 which led to a pandemic affecting the global economy and most businesses, USP Group Limited has managed to weather the extreme difficulties posed by the outbreak. This was due to careful streamlining of businesses and expenses, and also massive savings due to systemic pay-cuts supported by the management and staff alike. In fact, the financial results show that the Group has stemmed the losses suffered for the past years, as Q1 and Q2 of FY2021 are profitable despite the global Covid-19 pandemic dilemma. Thus, although the total revenue is expectedly reduced as compared with the past year, the profitability has grown exponentially due to the careful calibration of the operations, businesses and cost cutting measures.

MARINE BUSINESS

Marine business (Supratechnic) continued to be our core revenue segment in FY2020, accounting for close to 71% of our Group's revenue and the performance of this business of the Group in this business as a whole is very encouraging.

The Malaysian branch of Supratechnic has continued to outperform itself. Its results are very encouraging. As for the Indonesian branch, the management had taken a series of actions to streamline its operations and early results are promising too. There are also efforts to expand the Indonesian market, with talks in place for the Batam and Palembang markets in this initial phase. More Indonesian markets will be opened in later phases. The Singapore branch is also showing much better performance than the past year by minimising losses year-on-year. As expected, all branches are continuing to score with significant government contracts, whilst expanding their appointment of new dealers.

PROPERTY INVESTMENT BUSINESS

The Group has successfully returned the JTC property located at 16 Joo Koon Circle which had been left undeveloped for years due to the property slump. This property costs the Group large recurrent costs to maintain. In light of the present and future economic uncertainty, the management has decided that it is in the best interest of the Group to return the property to save costs.

Despite the Covid-19 pandemic, the management had managed to keep the occupancy rates at its properties at Blk 184 and 186 Woodlands Industrial Park E5 at a very high occupancy rate of nearly 100% the whole year round. But there is a slight downside to this as rents had been affected slightly due to Covid-19 relief measures affecting landlords.

As for the dormitory at Blk 182, the Ministry of Manpower ("MOM") had conducted checks in January and February 2020 and had instructed that the dormitory must not house more than the maximum of 320 foreign workers which it is permitted. Previously, past managements of the Group had been housing about 480 workers or more, and MOM is monitoring the situation closely to ensure strict compliance. Moreover, the dormitory was also affected by several workers being affected by the Covid-19 pandemic and a lockdown was imposed for periods of time. As such the revenue of the dormitory is expected to be lower than the previous year.

BIOFUEL BUSINESS

The Group has decided to exit from the oil business by re-entering into a Sale and Purchase Agreement on 7 August 2020 to dispose whole of its shareholdings in a subsidiary, Biofuel Research Pte. Ltd. for a total cash consideration of $5,585,400.

The Group is currently in the process of obtaining regulatory approval and is expected to conduct a shareholder meeting to dispose the asset by 31 March 2021.

NEW BUSINESSES

Theme A Properties Pte Ltd

Building on its property business platform, the Group has started a new property agency known as Theme A Properties Pte. Ltd. ("Theme A Prop"). It had recently obtained the CEHA Property Agency licence and is now able to trade in properties both as a principal and as an agent as well. Theme A Prop hopes to be able to market its own properties, as well as provide property agent services to regional landowners and developers. To this end, Theme A Prop had been liaising with several Indonesian property owners and developers who may wish to appoint the company to market and sell their properties in Singapore.

Theme A Prop is also presently developing 2 websites – one for marketing of residential properties and the other for marketing of commercial and industrial properties.

Theme A Investment Holdings Pte Ltd

A newly formed company, Theme A Investment Holdings Pte Ltd ("Theme A Investment") will be a new holding company for new businesses in the Group, such as Theme A Prop.

Apart from being a holding company for such new businesses, it is also engaged in talks with a significant money remittance company in Indonesia and also another significant money remittance player in Singapore, for their mutual operations in both countries, and with Theme A Investment as the facilitator. If successful, Theme A Investment will be able to receive revenue for its role and also to enter into a beneficial venture with both parties for recurrent profits.

FINANCIAL REVIEW

REVENUE

Group Revenue of $36.9 million was about 10% lower compared to $41.0 million of the previous financial year. One reason for this decrease in revenue was due to the closure of branches in the Marine segment. At the same time, revenue from the property segment increased by $3.3 million due to the sale of the sole development unit at 71 Blandford Drive in 3Q2020 to a third party.

LOSS FOR THE YEAR

The Group recorded a loss after tax of $6.7 million which mainly partly due to the impairment losses of $2.3 million undertaken by the Group and fair value loss on investment properties of $2 million.

ASSETS AND LIABILITIES

Non-current assets

The decrease in non-current assets was mainly due to the disposal of two units of the Group's investment properties in London and Philippines to a third party; and the impairment loss incurred on its investment property in Woodlands which was last valued by an independent valuer in June 2020.

Current assets

Current assets decreased by $7.0 million as at 31 March 2020 from $39.3 million as at 31 March 2019 largely due to the disposal of the Group's sole development unit at 71 Blandford Drive to a third party. In addition, trade receivables suffered an impairment loss of $1.3 million as of 31 March 2020 and inventories reduced from $14.9 million in 2019 to $11.3 million in 2020 as a result of Marine sales. Management has reviewed third party other receivables that were overdue for expected credited loss as of 31 March 2020 and this resulted in an impairment of $0.5 million as of 31 March 2020.

Assets of disposal group classified as held for sale increased from $9.0 million in 2019 to $11.7 million in 2020 due to the effect of adoption SFRS(I) 16 which resulted in an approximately $3.4 million in right-to-use assets.

Current liabilities

Current liabilities decreased by $4.5 million compared to prior year was mainly due to the repayment of bank borrowings during the year.

Non-current liabilities

Non-current liabilities increased to $155,000 due to the adoption of the accounting standard on leases which requires the Company to recognise its lease liabilities on the consolidated statement of financial position which will reflect their right-to-use assets and its associated liabilities.

CASHFLOW

The Group's operational cashflow recorded a net inflow of $9.0 million in FYE2020 as a result of the changes in working capital in inventories and development property.

The Group's investing cashflow recorded a net outflow of $21,000 as a result of payment of deferred consideration during the year and offset by proceeds on disposal of investment properties.

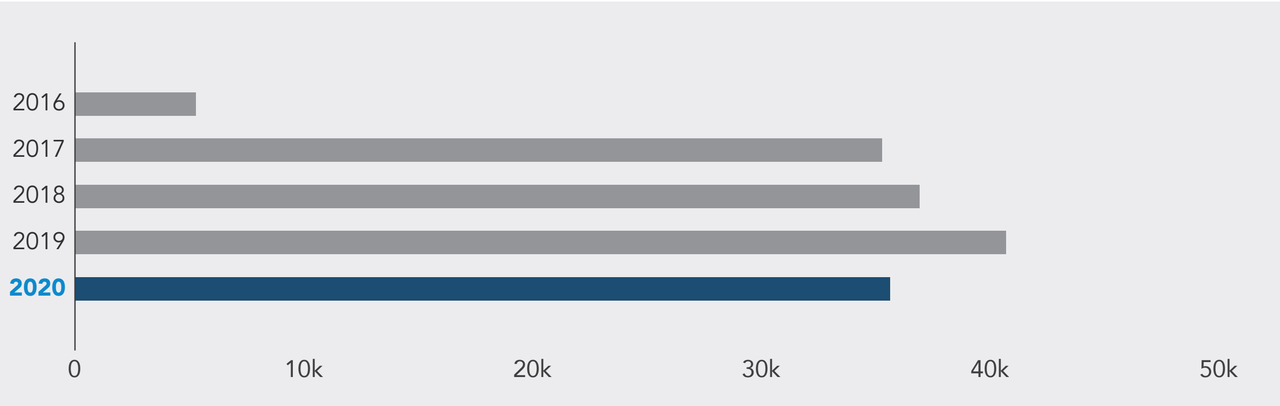
The Group's financing cashflow recorded a net outflow of $7.9 million in FYE 2020. This was mainly due to the repayment of borrowings and financing costs incurred during the year.

FINANCIAL HIGHLIGHTS

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

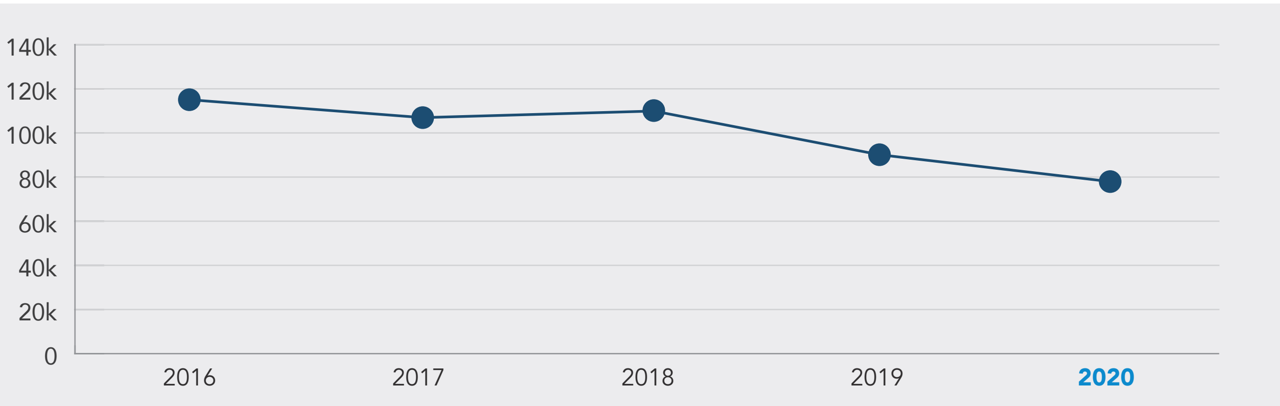
Profit and Loss Statement	FY2016	FY2017	FY2018	FY2019 (restated)	FY2020
Revenue	6,819	36,660	38,642	40,985	36,895
Gross Profit	2,713	15,879	12,535	13,570	11,583
EBITDA before exceptional item from continuing operations	(10,792)	3,169	1,910	2,120	(182)
Profit (Loss) after tax from continuing operations	3,495	(5,590)	(1,120)	(22,720)	(6,636)

REVENUE



Statement of Financial Position	FY2016	FY2017	FY2018	FY2019 (restated)	FY2020
Current Assets	37,396	27,372	34,651	39,289	32,326
Current Liabilities	20,286	16,470	23,524	54,788	50,335
Total Assets	116,920	105,458	110,949	89,658	78,431
Total Borrowings	42,790	43,291	47,671	46,586	43,313
Net Assets	59,125	53,607	53,857	50,522	23,593
Net Asset Value per Share (cents)	71.12	56.43	56.22	33.48	25.34

TOTAL ASSETS



SUSTAINABILITY REPORT

1. BOARD STATEMENT

USP Group is pleased to present its Sustainability Report for FY2020, which has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards – "Core" reporting requirements due to its international recognition and wide adoption. The Group will continue to make improvements to its sustainability efforts and work with its stakeholders towards promoting sustainability in its businesses.

We welcome feedback from all stakeholders. More information about our Group's profile can be obtained from www.uspgroup.com.sg. You may send related questions, comments, suggestions or feedback relating to this report to whistleblow@uspgroup.com.sg.

2. STAKEHOLDERS ENGAGEMENT

Knowing and understanding the demands and concerns of its stakeholders is critical to the Group's long-term success. Key stakeholders are comprised of the people in our community, customers, employees, regulators, shareholders and suppliers which were identified based on the extent of which they can influence the implementation of our strategies or are affected by our strategic decisions.

The Group is committed to engaging all of our stakeholders as part of our continuous sustainability reporting. We view stakeholder engagement as an ongoing process and not on an ad-hoc basis. We adopt multiple channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships as follows:

KEY STAKEHOLDERS	ISSUES OF CONCERN	ENGAGEMENT CHANNELS	CORRESPONDING SECTION
Customers	• Customer satisfaction	• Company website • Feedback by phone • Formal process for handling complaints	• Customer Experience
Employees	• Career development and training • Remuneration	• Staff meetings • Annual appraisals	• Training and Development • Employment
Community	• Environmental protection • Contribution to the community	• Compliance with applicable laws and regulations • Support charity organisations	• Environmental Management • Community Contribution
Suppliers	• Third party risk management	• Website for prospective suppliers • Responses to supplier inquiries	• Supply Chain Management
Government	• Legitimacy of service and business ethics • Employee protection • Tax compliance	• Compliance with all applicable laws and regulations • Ensure that all relevant employees are kept abreast of changes to statutory requirements	• Culture of Probity and Honesty • Employment
Investors and shareholders	• Corporate governance • Business operations • Information disclosure	• Annual reports and interim reports • Press releases	• Culture of Probity and Honesty • Data Privacy

SUSTAINABILITY REPORT

3. MATERIALITY ASSESSMENT

The Group sustainability process begins with the drawing on insights from regular stakeholder engagement and in order to determine if an aspect is material, the Group assessed its potential impact on the economy, environment and society and its influence on the stakeholders. The Group has decided to maintain a focus on the following material environmental, social and governance ("ESG") topics as follows:

ESG SUSTAINABILITY FACTORS	
Economic	Economic Performance Anti-Corruption
Environmental	Environmental Compliance
Social	Human Capital Management Occupational Health and Safety
Governance	Corporate Governance

4. ECONOMIC
- ECONOMIC PERFORMANCE
- ANTI-CORRUPTION

ECONOMIC PERFORMANCE

Despite the current headwinds from the COVID-19 pandemic, the Group is committed to incorporate sustainable business practices in the long term. As such, as part of the counter measures to the pandemic, the Group has exercised greater cost control measures such as salary reduction amongst several others.

For detailed financial results, please refer to the following sections in our Annual Report 2020:
- Group Financial Highlights, page 7; and
- Financial Statements, pages 33 to 118.

ANTI-CORRUPTION

To discourage corruption practices and activities, the Group has established a whistle-blowing policy with the aim of providing a structured system for employees and other stakeholders to report any concerns on any suspected wrongful activities or wrongdoings. Employees and any other stakeholders are encouraged to report unlawful, unethical or fraudulent activities or practices in strict confidence. All whistle-blowing reports are submitted to the Chairman of the Audit and Risk Committee so that independent investigations and appropriate follow-up actions can be carried out.
Whistle-blow reporting can be sent to whistleblow@uspgroup.com.sg.

5. ENVIRONMENTAL
- ENVIRONMENTAL COMPLIANCE
- COMMUNITY CONTRIBUTION

ENVIRONMENTAL COMPLIANCE

The Group is committed to resource conservation measures on the environment through 'reduce, reuse and recycle' whenever possible. All employees are actively taking part in the waste management by reducing electricity, promoting paper recycling and reducing unnecessary printing.

Reduce: There is an active effort within the Group to reduce the use of electricity where possible. Lights are turned off when the office or meeting rooms are vacant. Power sockets are switched off when desktops or laptops are not in use, in order to avoid unnecessary power flow which would result in gratuitous electricity consumption.

SUSTAINABILITY REPORT

The Group is also an advocate for the reduction of the usage of one-use plastic items. Plastic cups are used minimally in our offices. Instead, employees are encouraged to bring along their own bottles, flasks or tumblers when refilling their beverages.

Reuse: On the occasion where plastic items are being used, we ensure that these items are given multiple uses. For example, plastic bags which have been obtained from grocery stores or convenience stores are not thrown away, we hold on to them with the aim of using them again when the need arises.
There are times when documents are printed erroneously, and rather than discarding the paper, we turn it to "scrap paper", where it can be used to scribble down notes, reminders or urgent information, needless to say, the reuse of scrap paper is subject to the confidentiality of the document that was printed on it.

Recycle: With reference to the abovementioned, some documents that have been printed are confidential, and are not permitted to be reused, in which case, they will be shredded and discarded into the recycling bin at the end of the day.

In addition to the Group's conscious effort to reduce, reuse and recycle, all employees are encouraged to take public transportation or carpool as much as possible to reduce carbon footprint caused by the overabundance of vehicles on the road. Employees who do drive to work are reminded to drive as efficiently as possible, driving too fast or too slow would bring about higher carbon emissions. Employees are also advised to turn off their engines when their car is idle or parked to prevent unnecessary fuel consumption.

COMMUNITY CONTRIBUTION

As part of its corporate social responsibility initiatives to support local charitable or medical institutions at the frontline in the fight against the Covid-19 pandemic, the Group has on 14 August 2020 donated a batch of 500 ml anti-bacterial Hand Sanitisers (with aloe vera), to the Home Nursing Foundation, Singapore. (HNF).

The Group is in search of other means and methods to provide support, where possible, to the Covid-19 front-liners and other groups affected directly by this pandemic, and we will continue to supply more of these Hand Sanitisers to support HNF and other front-liners in this fight against the Covid-19 pandemic.

6. SOCIAL

- HUMAN CAPITAL MANAGEMENT
- OCCUPATIONAL HEALTH AND SAFETY

HUMAN CAPITAL MANAGEMENT – EMPLOYMENT AND DIVERSITY

We recognise that the employees are the ones who form the backbone of the Group's business, hence the Group is of the view that creating a rewarding and safe working environment for our people is the key to sustainable business results in the long run.

The Group promotes a work environment with a fair performance-based work culture that is diverse, inclusive and collaborative, regardless of race or religion.

The Group believes that open communication in the workplace, where relations are transparent, is the key to any organization's success, as such, the Group encourages employees to openly share their ideas, provide feedback and raise any issues to the management where necessary. In turn, for the organization to truly flourish, management must be open to the feedback, and give true consideration to each employees' feedback.

The Group has zero tolerance on any forms of discrimination, on grounds of race, social status, nationality, religion disability or sexual orientation. As of the date of this report, there have been no reports of discrimination based on race or gender within the Group.

SUSTAINABILITY REPORT

HUMAN CAPITAL MANAGEMENT – GROWTH AND DEVELOPMENT

The Group encourages and supports the growth and development of its employees, advancing their knowledge and skills so that they stay responsive to changes in the work environment and can contribute optimally.

We believe that upskilling our employees through learning and training is an important, continuous and life-long process so that employees are equipped with the competencies needed to meet current and future business needs. This includes workshops, seminars, conferences, in-house company training and on-the-job training.

OCCUPATIONAL HEALTH AND SAFETY

In response to the COVID-19 pandemic, the Group has deepened our focus on occupational health and safety. To ensure a safe working environment, the Group has put in place robust health and safety measures in accordance with the evolving local directives and best practices. Examples of such measures includes observance of safe distancing measures and adherence to medical testing and quarantine directives if an employee has travelled to medium- or high-risk areas or is suspected of contracting COVID-19. Office premises and production sites are also disinfected regularly and adequate ventilation is ensured. In addition, physical meetings have been minimised, with virtual meetings becoming the default mode of communication during these pandemic times.

The Group also regularly provides a range of safety training programmes for our employees who engage in special lines of work. The Group's employees take regular safety education course to reinforce the importance of work safety.

As of the date of this report, there is no reported work-related fatality or high consequence work related injuries.

The Group endeavours to commit to zero work-related injuries.

7. GOVERNANCE

- CORPORATE GOVERNANCE

The Board acknowledges the importance for the Group to adopt and continuously practise good corporate governance throughout the Group operations to ensure accountability and transparency, as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group. Please refer to Corporate Governance Report set out on pages 14 to 32 of our Annual Report 2020 for further details on the Group's corporate governance practices.

8. TARGET SETTING

The Group is constantly reviewing our processes and have not set any specific targets for the forthcoming year but we are looking forward to improve the efficiency and effectiveness of all the material factors in the coming year.

CORPORATE INFORMATION

DIRECTORS

Mr Djohan Sutanto
(Non-Executive Chairman and Independent Director)
(appointed on 11 August 2020)

Mr Tanoto Sau Ian
(Executive Director and CEO)
(appointed on 20 February 2020)

Mr Joseph Tan Chin Aik
(Independent Non-Executive Director)
(appointed on 23 December 2020)

Mr Chia Heng Chian
(Independent Non-Executive Director)
(appointed on 23 December 2020)

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr Chia Heng Chian (Chairman)

Mr Djohan Sutanto (Member)

Mr Joseph Tan Chin Aik (Member)

NOMINATING COMMITTEE

Mr Djohan Sutanto (Chairman)

Mr Tanoto Sau Ian (Member)

Mr Joseph Tan Chin Aik (Member)

REMUNERATION COMMITTEE

Mr Joseph Tan Chin Aik (Chairman)

Mr Djohan Sutanto (Member)

Mr Chia Heng Chian (Member)

COMPANY SECRETARIES

Ms Josephine Toh

REGISTERED OFFICE

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Singapore Land Tower
Singapore 048623
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Email address: enquiries@uspgroup.com.sg
Website address: http://www.uspgroup.com.sg

SHARE REGISTRAR

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

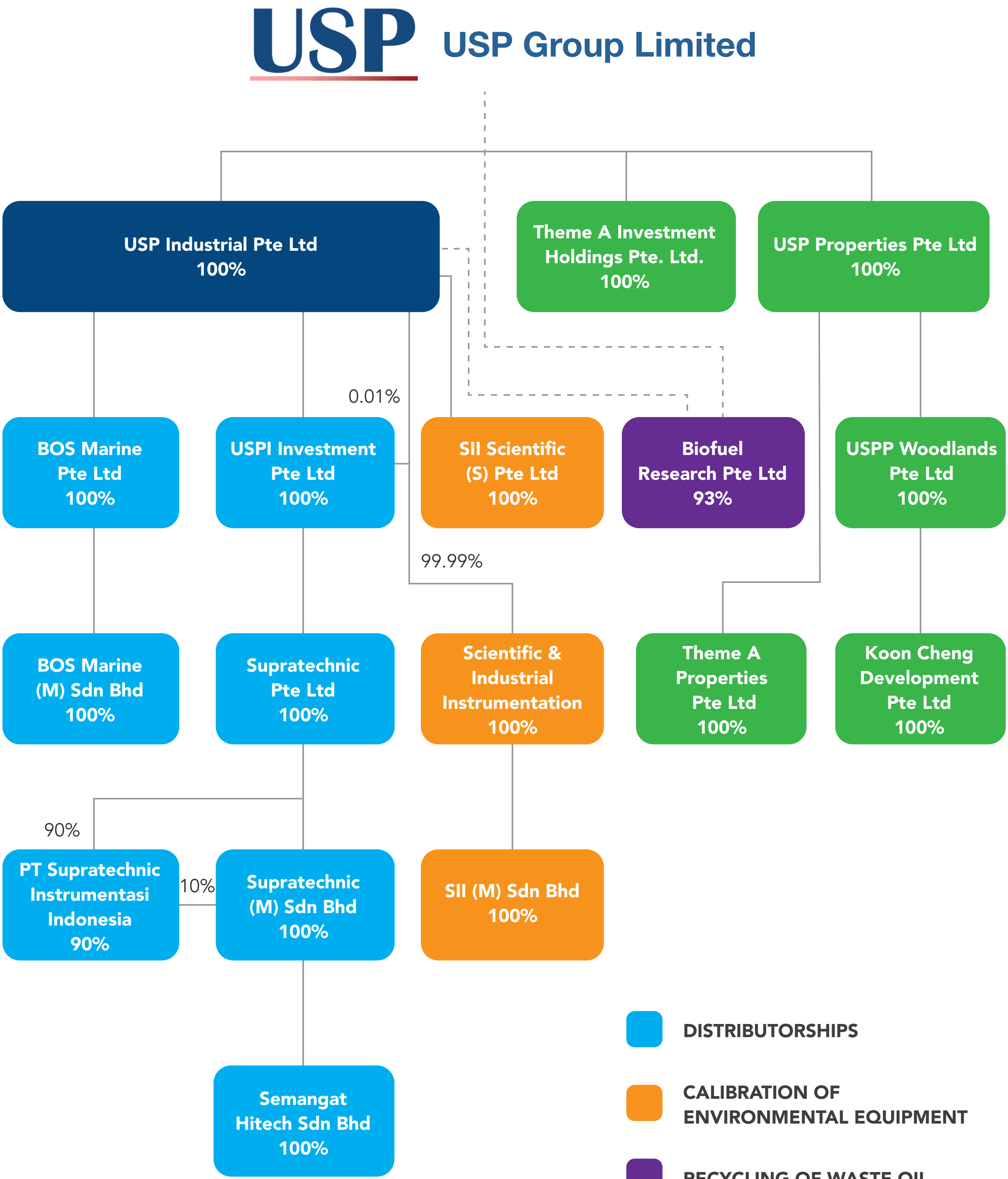
AUDITOR

Baker Tilly TFW LLP
Public Accountants and Chartered Accountants Singapore
Partner-in-charge: Ms Tay Guat Peng (since FY2020)

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 maintaining high standards of corporate governance within the Company and its subsidiaries (the "Group") by adopting and complying, where possible, with the Principles and Provisions of the Code of Corporate Governance 2018 (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 2020 ("FY2020"), with reference to the Code. The Board confirms that it has generally adhered to the Principles and Provisions of the Code where they are applicable, relevant and practicable to the Group. Any deviations from the Provisions of the Code as well as how the practices adopted by the Group are consistent with the intent of the relevant principles have been explained accordingly.

Outlined below are the policies, processes and practices adopted by the Group in compliance with the Code.

(A) BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: *The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

The Board objectively discharges its duties and responsibilities at all times in the interests of the Company and hold Management accountable for the overall performance for long-term success of the Group. It sets appropriate tone-from-the-top and desired organisational culture and ensures proper accountability within the company. If there is any conflict of interest, Directors will voluntarily recuse themselves from all discussions and decisions involving the issues of conflict.

The Board oversees the Group's overall strategic plans, key operational initiatives, major funding and investment/divestment proposals, financial performance reviews and corporate governance practices. 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.

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 consists a majority of Non-Executive Directors. Functions of these Board Committees including their compositions, authorities and duties are clearly written in its terms of reference ("TOR"), which have been approved by the Board. The effectiveness of each Board Committee is constantly monitored and reviewed on a regular basis to ensure their continued relevance. The TOR in relation to scope, responsibilities and functions of the Directors in each Board Committee is provided 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.

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 Singapore Exchange Securities Trading Limited ("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. Any newly appointed Director who does not have prior experience or is not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo mandatory training pursuant to Rule 210(5)(a) of Listing Manual of the SGX-ST in the roles and responsibilities of a listed company director.

REPORT ON
CORPORATE GOVERNANCE

Mr Djohan Sutanto who was appointed on 21 August 2020 had attended the Listed Entity Director Essentials conducted by Singapore Institute of Directors. Mr Joseph Tan Chin Aik and Mr Chia Heng Chian who were appointed on 23 December 2020 will be attending the relevant courses to equip themselves with the knowledge required of Directors of listed entities. The Company will be responsible for arranging and funding the training of Directors.

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.

Details of Board and Board Committees Meetings held during FY2020 and the attendance of each Director are summarised in the table below:

Meetings	Board	ARMC	NC	RC	AGM	EGM
Total held in FY2020	12	5	2	2	1	2
Directors	**No. of Meetings attended in FY2020**					
Tanoto Sau Ian (1)	2	1	1	1	–	1
Low Chee Chiew(2)	2	1	1	1	–	1
Tan Wee Peng Kelvin(2)	2	1	1	1	–	1
Nah Ee Ling(3)	4	4	1	1	1	–
Yin Kum Choy(4)	5	–	–	–	–	2
Yip Mun Foong James(5)	10	–	1	1	1	1
Chan Siew Wei(6)	6	–	–	–	–	1
Tay Tian Leng(6)	5	–	–	–	–	1
Siew Chen Yei(7)	8	–	–	–	–	1
Ong Sie Hou Raymond @ Zaim(8)	2	–	–	–	–	1
Lim Boh Soon(8)	–	–	–	–	1	–
Er Kwong Wah(10)	1	1	–	–	1	–
Wong Peng Wai(11)	3	3	1	1	–	–
Goh Chong Theng(12)	4	1	1	1	–	–

(1) Appointed on 20 February 2020
(2) Appointed on 20 February 2020 and resigned on 30 September 2020
(3) Not re-elected as a Director at the annual general meeting ("AGM") held on 30 September 2019. Resigned on 30 November 2020
(4) Appointed on 15 October 2019 and resigned on 26 February 2020
(5) Removed by shareholders at the Extraordinary General Meeting ("EGM") held on 20 February 2020
(6) Appointed on 10 October 2019 and removed by shareholders at EGM held on 20 February 2020
(7) Appointed on 30 September 2019 and removed by shareholders at EGM held on 20 February 2020
(8) Appointed on 15 October 2019 Resigned on 19 February 2020
(9) Appointed on 16 September 2019 and resigned on 18 October 2019
(10) Appointed on 1 August 2019 and not re-elected as a Director at the AGM held on 30 September 2019
(11) Resigned 6 August 2019
(12) Resigned on 15 June 2019

REPORT ON CORPORATE GOVERNANCE

Management endeavours to furnish the Board with information concerning the Group prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities. 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.

The Company Secretary or her representative attends Board/Board Committees meetings and is responsible for ensuring that Board procedures are followed. The Company Secretary also periodically updates the Board on relevant regulatory changes affecting the Group.

The Board has separate and independent access to Management, the Company Secretary and external advisers (where necessary) at the company's expense. The appointment and removal of the Company Secretary is subject to the approval of the Board.

BOARD COMPOSITION AND GUIDANCE

***Principle 2**: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decision in the best interests of the company.*

The Board currently comprises four (4) Directors, three of whom are Independent Directors. The Independent Directors make up a majority of the Board. The Chairman of the Board is independent.

The composition of the Board is as follows:

Mr Djohan Sutanto(1) (Independent Non-Executive Chairman)
Mr Tanoto Sau Ian (Executive Director and Chief Executive Officer)
Mr Joseph Tan Chin Aik(2) (Independent Non- Executive Director)
Mr Chia Heng Chian(2) (Independent Non-Executive Director)

(1) Appointed on 11 August 2020
(2) Appointed on 23 December 2020

Key information regarding the Directors is set out on pages 3 to 4 of the Annual Report.

The Group recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of its performance. The Board believes that board diversity is more than just about gender diversity and embraces other factors such as a need for individuals from all backgrounds, skill-sets, life experiences, abilities and beliefs for a better Board performance.

In the process of searching for qualified persons to serve on the Board, the NC shall strive for the inclusion of diverse groups and viewpoints. The final decision on selection of directors will be based on merit against the objective criteria set and after giving due regard for the benefits of diversity on the Board.

The size and composition of the Board and Board Committees are reviewed on an annual basis by the NC to ensure that there is an appropriate mix of skills, knowledge, 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 current 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 which provides core competencies necessary to lead and govern the Group effectively. Each Director has been appointed based on the strength of his calibre and experience. The Directors' objective judgment, collective experience and knowledge are invaluable to the Group and allow for the useful exchange of ideas and views. There is no alternate Director on the Board.

The NC, with the concurrence of the Board is of the view that the current Board size is adequate, taking into account of the scope of the Group's operations.

REPORT ON CORPORATE GOVERNANCE

The NC assesses the independence of Independent Directors in accordance with the requirements of the Code to ensure that the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Group. Under the Code, an Independent Director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its shareholder who hold 5.0% or more of the voting shares (the "Substantial Shareholders") or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interest of the Company and the Group.

The NC had reviewed the independence of each Independent Director and is of the view that these Directors are independent. The NC and the Board are also of the view that no individual or small group of individuals dominates the Board's decision-making process.

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

The Independent Directors exercise no management function in the Group.

The role of the Independent Directors is to review 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's proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities. The Independent Directors, led by the Independent Chairman, meet periodically without the presence of the other Directors and Management where necessary and provide feedback to the Chairman as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.*

Mr Low Chee Chiew was appointed as the Company's Independent Non-Executive Chairman on 20 February 2020 and subsequently stepped down from the Board on 30 September 2020. As Chairman of the Board, Mr Low assumes responsibility for the smooth functioning of the Board and ensures timely flow of information between Management and the Board, sets agenda and ensures allocation of adequate time for discussion of all agenda items, in particular strategic issues, promotes a culture of openness and debate at the Board and promotes high standards of corporate governance.

Mr Tanoto Sau Ian was appointed as Executive Director and Chief Executive Officer ("CEO") on 20 February 2020. He is responsible for running the day-to- day operations of the Group, ensures implementation of policies and strategy across the Group as set by the Board, manages the management team, and leads the development of the Group's future strategy including, identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing business.

The Chairman of the Board and the CEO are two separate persons to ensure an appropriate balance of power and authority and greater capacity of the Board for independent decision. Mr Djohan Sutanto was appointed as Independent Non-Executive Chairman on 21 August 2020 in place of Mr Low Chee Chiew who stepped down from Chairmanship on even date.

The Board is satisfied that a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should represent a considerable concentration of power. In view of the appointment of Independent Chairman, there is no need for the Company to have a Lead Independent Director. Shareholders may contact the Independent Chairman at corporate@uspgroup.com.sg when they have concerns and for which contact through normal channels with Management is inappropriate and inadequate.

REPORT ON CORPORATE GOVERNANCE

BOARD MEMBERSHIP

Principle 4: *The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

The Board through the delegation of its authority to the NC has ensured that there is a formal and transparent process in the appointment and re-appointment of Directors who possess the relevant background, experience and knowledge in business, finance and management skills.

The NC currently comprises three (3) members with a majority of whom, including the NC Chairman, are Independent Directors. The members are as follows:

(a) Mr Djohan Sutanto (Chairman)

(b) Mr Tanoto Sau Ian (Member)

(c) Mr Joseph Tan Chin Aik (Member)

The principal functions of the NC in accordance with its TOR 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;

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

(j) review training and professional development programmes for the Board

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

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

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

Pursuant to Article 88 of the Company's Constitution, newly appointed Directors by the Board during the year are to retire and subject to re-election at the Annual General Meeting ("AGM") following his/her appointment.

Pursuant to Article 89 of the Company's Constitution, one-third of the Board of Directors is to retire from office by rotation and be subjected to re-election at the Company's AGM and all Directors shall retire from office at the Company's AGM at least once every three (3) years by rotation.

The NC had recommended to the Board that Mr Djohan Sutanto, Mr Joseph Tan Chin Aik and Mr Chia Heng Chian shall retire pursuant to Article 88 of the Company's Constitution and be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation. Mr Djohan Sutanto, Mr Joseph Tan Chin Aik and Mr Chia Heng Chian had consented to act and offered themselves for re-election.

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

Please refer to pages 30 to 32 of the Annual Report for the detailed information on the Directors who are being nominated for re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

All Directors are required to declare their board representations and any changes thereof to 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' 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 concurs with the view of the NC that sufficient time and attention have been accorded by these Directors to the affairs of the Company, it would not be necessary to prescribe a maximum number of listed company board representations a director may hold.

BOARD PERFORMANCE

Principle 5: *The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

The NC is responsible for recommending and implementing a process to assess the performance and effectiveness of the Board as a whole and its Board Committees as well as evaluating the performance of each Director in his contribution to the effectiveness of the Board.

No evaluation exercise was conducted for FY2020 to assess the performance and effectiveness of the Board as a whole due to board changes which took place at the window close prior to the Company's financial year ended 31 March 2020. The NC, with the concurrence of the Board, deferred the evaluation exercise. The NC would review the need for external facilitator in the evaluation process when appropriate.

In line with Principle 5 of the Code, the NC will be recommending the adoption of the formal annual evaluation form for the Board Committees and individual Directors for FY2022 as the latest members of the board were appointed in Dec 2020.

The results of the evaluation exercise will be tabled for the NC's review and consideration. Thereafter, the NC will make recommendations to the Board on enhancements to improve the effectiveness of the Board as a whole, Board Committees and individual Directors.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: *The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

The RC currently comprises three (3) Independent Directors as follows:

(a) Mr Joseph Tan Chin Aik (Chairman)

(b) Mr Djohan Sutanto (Member)

(c) Mr Chia Heng Chian (Member)

REPORT ON CORPORATE GOVERNANCE

The principal functions of the RC in accordance with its TOR are as follows:

(a) recommend to the Board a framework of remuneration for the Board and key management personnel of the Group and to determine specific remuneration packages and terms of employment for each Director and Key Management Personnel ("KMP") 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 all aspects of remuneration of the Executive Director(s) and KMP including their 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 Director(s) and KMP 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 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.

LEVEL AND MIX OF REMUNERATION

Principle 7: *The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

The remuneration policy of the Company is designed to align the interests of Executive Director(s) and KMP with those of shareholders and the long-term success of the Group. In reviewing and determining the remuneration packages of the Executive Director(s) and KMP, the RC will consider the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the responsibilities, skills, expertise and contribution to the Company's performance and if the remuneration packages are competitive and sufficient to assure that the Company is able to attract and retain the best available executive talent. The RC makes its recommendation to the Board which has the discretion to accept or vary the recommendations.

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

The Company had entered into service agreement dated 20 February 2020 with Mr Tanoto Sau Ian, Executive Director and CEO for an initial period of three (3) years from his appointment date to be automatically renewed on a yearly basis thereafter. The Service Agreement may be terminated by three (3) months' notice in writing by either party and does not contain onerous removal clauses.

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$20,000 as Directors' fees payable to the Independent Directors appointed on 20 February 2020 for the financial year ended 31 March 2020.

The RC had recommended to the Board an amount of S$220,000 as Directors' fees for the financial year ending 31 March 2021, 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.

REPORT ON CORPORATE GOVERNANCE

DISCLOSURE ON REMUNERATION

Principle 8: *The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

A breakdown showing the level and mix of remuneration of each Director and KMP in bands of S$250,000 for FY2020 is set out below:

Remuneration Bands and Name of Director and CEO	Fees %	Salary %	Bonus %	Other benefits %	Total %
Below S$250,000					
Tanoto Sau Ian[(1)] *	–	100	–	–	100
Low Chee Chiew[(2)]	100	–	–	–	100
Tan Wee Peng Kelvin[(2)]	100	–	–	–	100
Nah Ee Ling[(3)]	–	100	–	–	100
Yin Kum Choy[(4)]	–	100	–	–	100
Yip Mun Foong James[(5)]	–	–	–	–	–
Chan Siew Wei[(6)]	–	–	–	–	–
Tay Tian Leng[(6)]	–	–	–	–	–
Siew Chen Yei[(7)]	–	–	–	–	–
Ong Sie Hou Raymond @ Zaim[(8)]	–	–	–	–	–
Lim Boh Soon[(9)]	–	100	–	–	100
Er Kwong Wah[(10)]	–	–	–	–	–
Wong Peng Wai[(11)]	–	–	–	–	–
Goh Chong Theng[(12)]	–	–	–	–	–

* Mr. Tanoto Sau Ian is also a substantial shareholder of the Company
(1) Appointed on 20 February 2020
(2) Appointed on 20 February 2020 and resigned on 30 September 2020. Fees to be approved for payment at the forthcoming AGM.
(3) Not re-elected as a Director at the annual general meeting ("AGM") held on 30 September 2019. Resigned on 30 November 2020.
(4) Appointed on 15 October 2019 and resigned on 26 February 2020
(5) Removed by shareholders at the Extraordinary General Meeting ("EGM") held on 20 February 2020
(6) Appointed on 10 October 2019 and removed by shareholders at EGM held on 20 February 2020
(7) Appointed on 30 September 2019 and removed by shareholders at EGM held on 20 February 2020
(8) Appointed on 15 October 2019 Resigned on 19 February 2020
(9) Appointed on 16 September 2019 and resigned on 18 October 2019
(10) Appointed on 1 August 2019 and not re-elected as a Director at the AGM held on 30 September 2019
(11) Resigned 6 August 2019
(12) Resigned on 15 June 2019

The Company is of the view that in a small and medium size enterprise environment, disclosure of the Directors' remuneration in bands of S$250,000 should be sufficient to provide an insight into the link between compensation and performance of the Directors and further details are deemed to be not in the interest of the Company due the sensitivities and confidentiality of remuneration.

Remuneration Bands and Name of Key Management Personnel	Fees %	Salary %	Bonus %	Other benefits %	Total %
Below S$250,000					
Nah Ee Ling *	–	100	–	–	100

* Appointed as CFO on 31 December 2014, resigned on 31 January 2020. Re-jointed the Company as CFO on 20 February 2020 and resigned on 30 November 2020.

REPORT ON CORPORATE GOVERNANCE

Notwithstanding Provision 8.2 of the Code, there was only one KMP (who are not Directors or the CEO) during FY2020. In view of sensitivity and confidentiality of remuneration, Management opined not to disclose the aggregate total remuneration paid to the sole KMP for FY2020. Further, the competition for talent in the industry is very keen and it is important that the Company retains its competent and committed staff to ensure the stability and continuity of business and operations of the Group.

There were no termination, retirement or post-employment benefits granted to Directors and KMP.

Other than Mr Tanoto Sau Ian, the Company does not have employee who is a substantial shareholder of the Company or immediate family members of a Director, the CEO or a substantial shareholder and whose remuneration exceeds S$100,000 during FY2020.

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

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

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

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

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

The RC is responsible for the administration of the PSP.

There were no shares awarded under the PSP during FY2020. Details of PSP can be found on pages 34 to 35 of the Annual Report under the Directors' Statement of the Financial Statements.

(C) ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

The Board acknowledges that it is responsible for the overall risk management and internal controls of the Group. The Board should determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation to ensure that Management maintains a sound system of risk management and internal controls to safeguard the Group's assets and shareholders' interests.

The Board, assisted by the ARMC, evaluates the adequacy and effectiveness of the Group's internal controls and risk management system. The Group does not have a separate Risk Management Committee. The Board recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Company hired an in-house Internal Auditor ("IA") on 29 April 2019 but with the new board composited on 20 February 2020, the ARMC has assessed that it is to the best interest of the Company to outsource its internal audit function. In view of the on-going lawsuits as announced and detailed under pages 93 to 94 of the Financial Statements, the ARMC had repeatedly urged Management on the urgency for appointment of IA to uncover/ prevent any possible lapse in the Company's internal controls and risk management systems. The Company has appointed MS Risk Management Pte Ltd for its internal audit for the financial year ending 31 March 2021 ("FY2021") on 19 January 2021.

REPORT ON CORPORATE GOVERNANCE

The Group's External Auditor ("EA") had in the course of their statuary audit performed review on the Group's internal controls on matters which came to their attention and highlighted the significant deficiencies in internal control to the ARMC and Board. It was noted that the issues highlighted by the EA do not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made.

The Board has obtained assurance from:

(i) the CEO that the financial records are properly maintained and the financial statements give a true and fair view of the Company's operations and finances;

(ii) the CEO and other Key Management Personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

The new board came in place on 20 February 2020, which was not in time for appointment of IA for FY2020, the Group depended largely on its own Management team to check and deal with matters relating to material non-compliance and internal control weaknesses. The findings were then forwarded to the EA for reviewing, and recommendations were then made.

As there was no IA report been presented to the current ARMC and Board, and taking the following on-going lawsuits and the report on wrongdoings by former chairman and irregularities in share trading into account, the ARMC and Board recognised the inadequacy of the internal control and risk management system. The present Board had appointed MS Risk Management Pte Ltd as the Group's Internal Auditor on 19 January 2021 for the conduct of internal audit for FY2021 with a primary focus for Year 1 on Indonesia after deliberating various options in view of the cases of fraud which was uncovered by the current management.

With the appointment of IA, various controls put in place and maintained by the present Management, and the review performed by External Auditor, Baker Tilly TFW LLP, Management, the Board, together with the ARMC, will endeavour to enhance the adequacy and effectiveness of the internal controls and risk management system of the Group moving forward including financial, operational, compliance and information technology controls.

The internal auditor will report directly to the ARMC and is independent from the day-to-day operations of the Group. The internal and external auditors work alongside the Management, to assist the ARMC in reviewing 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.

On-going lawsuits

1. High Court Suit No. S115/2020 ("S115")
   On 25 September 2019, Mr Oon Koon Cheng ("Mr Oon") commenced Originating Summons no. OS1192/2019 ("OS1192") against the Company and Dr Lim Boh Soon ("Dr Lim"). All the issues in OS1192 had been dealt with save for one issue, i.e. a declaration that the grant of award of 7.4 million shares ("the 7.4 million shares") to Dr Lim is in breach of the Rules of the Performance Share Place and is thus invalid. OS1192 was ordered by the Court to consolidate with Originating Summons No. OS1408/2019 ("OS1408") in one single writ action on 28 November 2019. However, OS1192 was subsequently converted into a writ action in S115/2020 ("S115") on 28 November 2019. S115 has been fixed for court hearings on 19 January 2021 at 2:30pm and 9 February 2021 at 2:30pm

2. High Court Suit No. S116/2020 ("S116")
   On 11 November 2019, the Company commenced Originating Summons No. OS1408/2019 ("OS1408") against Dr Lim Boh Soon ("Dr Lim"). OS1408 was brought by the Company pursuant to a letter of employment dated 16 September 2019 for a declaration that the issuance of 7.4 million shares to Dr Lim be forfeited. OS1408 was ordered by the Court to consolidate with Originating Summons No. OS1192/2019 ("OS1192") in one single writ action on 28 November 2019. However, OS1408 was subsequently converted into a writ action in S116/2020 ("S116") on 28 November 2019. A court hearing has been fixed on 9 February 2021 at 2:30pm.

REPORT ON CORPORATE GOVERNANCE

3. High Court Suit No. S328/2020 (“S328”)
On 7 April 2020, the Company, together with its subsidiaries (collectively referred to as “the Group”), commenced High Court Suit No. S328/2020 (“S328”) against M/s Sin Hong Hwa Pte Ltd, Mr Oon Koon Cheng and Mr Li Hua (collectively referred to as “the Defendants”). The action was brought by the Group pursuant to a sale and purchase agreement of Koon Cheng Development Pte Ltd dated 18 December 2015 (“SPA”) against the Defendants for fraudulent misrepresentations, failure to perform conditions precedent of SPA, and unlawful means conspiracy. The Group sought the following relief against the Defendants: (1) the sum of S$13,677,600; (2) alternatively, damages to be assessed; (3) alternatively, damages for misrepresentation; (4) costs; (5) interest; and (6) such further or other orders as the Court deems fit. S328 has been fixed for court hearings on 9 February 2021 at 2:30pm and 18 February 2021 at 2:30pm respectively.

4. District Court Suit No. DC1363/2020 (“DC1363”)
On 9 June 2020, the Company, together with its subsidiary (collectively referred to as “the Group”), commenced District Court Suit No. DC1363/2020 (“DC1363”) against Mr Yin Kum Choy (“Mr Yin”) and Mr Oon Koon Cheng (“Mr Oon”) (collectively referred to as “the Defendants”). The action was brought by the Group against (1) Mr Yin for breach of fiduciary duties and common law/statutory duty of skill and care; (2) Mr Oon for dishonest assistance / knowing assistance; and (3) the Defendants for unlawful means conspiracy. The following reliefs were sought by the Group against the Defendants: (1) an order that Mr Yin has breached his duties to the Group; (2) an aggregate sum of $130,226.51; (3) legal costs incurred by the Group in relation to OS317 and CWU108; (4) alternatively, damages to be assessed; (5) such other sum as the Court thinks fit; (6) costs; (7) interest; and (8) such further or other orders which the Court deems just and fit. A court hearing has been fixed for DC1363 on 10 March 2021 at 2:30pm.

5. High Court Suit No. S612/2020 (“S612”)
On 8 July 2020, Mr Oon Koon Cheng (“Mr Oon”) commenced High Court Suit No. S612/2020 (“S612”) against the Company, Mr Tanoto Sau Ian (“Mr Tanoto”) and Mr Li Hua (“Mr Li”). This action was brought by Mr Oon against the Defendant for conspiracy with the intention to injure Mr Oon’s interests. The reliefs sought by Mr Oon are (1) injunctive relief against the Defendants; (2) damages; (3) costs; (4) interests; and (5) such further orders which the Court deems fit and/or just. Mr Oon has obtained an injunction order against the Company on 9 July 2020 against the Company, Mr Tanoto and Mr Li (“the injunction”). S612 has been fixed for court hearings on 15 January 2021 at 2:30pm (to set aside the injunction) and 9 February 2021 at 2:30pm respectively.

<u>Report on wrongdoings by former chairman and irregularities in share trading</u>

On 16 March 2020, a report containing several allegations was sent from the outgoing Director Yin Kum Choy to the current Board, against the previous Chairman Tony Li Hua for certain wrongdoings. The report was forwarded to the SGX and the Commercial Affairs Department for their action.

AUDIT COMMITTEE

Principle 10: *The Board has an Audit Committee which discharges its duties objectively.*

The ARMC currently comprises three (3) Independent Directors as follows:

(a) Mr Chia Heng Chian (Chairman)

(b) Mr Djohan Sutanto (Member)

(c) Mr Joseph Tan Chin Aik (Member)

All ARMC members bring with them recent and relevant accounting experience or related managerial and professional expertise in the financial and business management fields and are appropriately qualified to discharge their responsibilities. None of the members of the ARMC is a former partner or Director of the Company’s current auditing firm.

The role of the ARMC is to assist the Board in discharging its corporate governance responsibility of safeguarding the Company’s assets, maintaining adequate accounting records and developing and maintaining effective systems of internal controls and risk management, ensuring integrity of financial statements, and provide arrangements whereby concerns on financial improprieties or other matter raised by “whistle-blowers’ are investigated and appropriate follow up action taken. The ARMC is also authorised by the Board to investigate or commission investigations into the Group’s accounting, auditing, internal controls, financial practices or any related matter thereto with full access to records, resources and personnel in order to discharge its functions effectively.

REPORT ON CORPORATE GOVERNANCE

The ARMC should have full access and co-operation from Management, with unrestricted access to information relating to the Group and the full discretion to invite any Director or Management to attend its meetings.

The principal functions of the ARMC in accordance with its TOR are as follows:

(a) review significant financial reporting issues and judgments to ensure integrity of the financial statements of the Company; and any announcements relating to the Company's financial performance;

(b) review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties) and review and approve the statements to be included in the annual report concerning the effectiveness of the Company's internal control and risk management systems;

(c) review and approve the hiring, removal, evaluation and compensation of the internal audit function including ensuring it is staffed with persons with the relevant qualifications and experience. The internal auditor should carry out its function according to the standards set by nationally or internationally recognized professional bodies including the standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors;

(d) review annually the scope and results of the external audit, its cost effectiveness as well as the independence and objectivity of the external auditors, the aggregate amount of fees paid to the external auditors for the financial year and the breakdown of the fees paid in total for audit and non-audit services respectively;

(e) make recommendations to the Board on proposals to shareholders on the appointment, re-appointment, resignation and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(f) review with the internal and external audit plan, including the nature and scope of the audit before the audit commences, evaluation of the system of internal controls, audit report, management letter and Management's response;

(g) meet with the external and the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have;

(h) ensure where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management;

(i) review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;

(j) review interested person transactions ("IPTs") falling within the scope of the SGX-ST's Listing Manual on a quarterly basis (including transactions that fall within the scope of Rule 912, i.e. the review and approval of proposed sale(s) of any units of property projects to the Company's interested persons and/or relatives of a director, chief executive officer or controlling shareholder, where applicable);

(k) review the quarterly and full year financial statements of the Company before submission to the Board for approval, focusing in particular, changes in accounting policies and practices to ensure compliance with accounting standards, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with stock exchange and statutory/regulatory requirements and any significant financial reporting issues and judgements so as to ensure the integrity of the financial statements;

(l) advise the Board on the Company's overall risk tolerance and strategy, oversee and advise the Board on the current risk exposures and strategy as well as future risk strategy of the Company;

REPORT ON
CORPORATE GOVERNANCE

(m) review the policy and arrangements by which staff of the Company or of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters and, conduct an independent investigation of such matters for appropriate follow up action pursuant to the Company's whistle-blowing programme; and

(n) investigate any matter within its TOR, with full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The Group has put in place a Whistle-Blowing Programme whereby staff 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 was no whistle-blowing report received during FY2020.

For FY2020, the ARMC members have:

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

(ii) reviewed the report from the EA, including their findings and discussions with Management on significant risks, their management letter and Management's response.

(iii) reviewed and approved financial statements for FY2020. During the process, the ARMC reviewed the key areas of critical judgements and key estimates applied for key financial issues including going concern assumption, calculation of allowance for impairment for financial assets at amortised cost, allowance for inventories, impairment of investment in subsidiaries, useful lives of property, plant and equipment, estimating the incremental borrowing rate for leases and leasehold properties and redevelopment project, critical accounting policies and any other significant matters that might affect the disclosures in the financial statements. The ARMC also considered the report from the EA, including their findings on the significant risks and audit focus areas. Significant matters were discussed with Management and the external auditors.

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

(v) reviewed the interested person transactions.

(vi) reviewed any whistle-blowing complaints; and

(vii) met once with the Company's external auditors without the presence of Management and reviewed the overall scope of the external and the assistance given by Management to the auditors.

(viii) considered the independence of the external auditor, undertaken a review of the audit services provided by the EA and noted there was no non-audit fee paid to the EA of the Company for the year under review.

The ARMC was satisfied that the resources and experience of Baker Tilly TFW 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 Baker Tilly TFW LLP. The Group's subsidiaries are disclosed under Note 14 of the Notes to the Financial Statements on pages 76 to 77 of the Financial Statements.

The Company has complied with Rules 712 and 715 of the SGX-ST's Listing Manual in appointment of its external auditor and has recommended the re-appointment of Baker Tilly TFW LLP, Public Accountants and Chartered Accountants, Singapore as its auditor at the forthcoming AGM.

REPORT ON CORPORATE GOVERNANCE

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: *The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

All shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Shareholders are informed of general meetings through notices published in the newspapers, through reports or circulars released via SGXNET. At general meetings, shareholders are given the opportunity to participate effectively and vote, where relevant rules and procedures governing such meetings, such as voting procedure, are clearly communicated prior to the start of 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. Separate resolutions will be proposed for substantially separate issues at a general meeting.

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

The Directors including Chairman of the Board and Board Committees, the CEO, Management and the EA will be present at the forthcoming AGM.

The Company will put all resolutions to vote by poll. The detailed results showing the number of votes cast for, against and abstain from voting for each resolution and the respective percentages will be announced via SGXNET after the general meetings.

In view of the COVID-19 situation, the Company will be conducting the AGM via electronic means and therefore, alternative arrangements will be made to take into account the online nature of the annual general meeting, further information of which is set out in the notice of the AGM dated 21 January 2021.

As shareholders are unable to attend the meeting in person, shareholders will appoint the Chairman of the meeting as proxy to vote on their behalf at the AGM and submit questions relating to the business of the meeting in advance. Please refer to the notice of the AGM dated 21 January 2021 for further information.

Substantial and relevant comments or queries from shareholders relating to the agenda of the AGM together with responses from the Board and Management will be prepared by the Company. The minutes of AGM which capture the attendance of Board members at the meeting, matters approved by shareholders and voting results will be prepared by the Company. The minutes of the AGM for FY2020 will be released to the SGX-ST within one (1) month from the date of AGM and shall be made available on the Company's website.

Dividend Policy

The Company does not have a formal dividend policy. 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 FY2020, no dividend had been recommended in view of the Group's net loss position.

REPORT ON CORPORATE GOVERNANCE

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: *The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders 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 Companies Act, all major developments that impact the Group or could materially affect its share price are announced or issued within the mandatory period via SGXNET 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; and
- Notices and explanatory notes for general meetings;

The Company does not have an investor relations policy in place. 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.

Over the past financial year, the Group met with investors during the Annual/Extraordinary General Meetings. In these meetings, matters pertaining to business strategy, prospects, operational and financial performance were shared by the Board.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: *The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

The Group has identified key stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations such as customers, suppliers, employees, regulators, shareholders and investors.

The Company ensures engagement and communication with the relevant stakeholders through the various means to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. Details of the areas of focus, methods of engagement and stakeholders' response can be found in our Sustainability Report which would be made available on the SGXNet and the Company's website.

The Company maintains a corporate website www.uspgroup.com.sg to communicate and engage with stakeholders.

REPORT ON CORPORATE GOVERNANCE

(F) 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 Listing Manual of the SGX-ST.

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 FY2020.

(G) 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 subjected 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 FY2020, there were no IPTs entered into by the Company. The Group does not have a shareholders' mandate for IPTs.

(H) MATERIAL CONTRACTS

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

REPORT ON CORPORATE GOVERNANCE

Information of Directors who are retiring and being eligible, offer themselves for re-election at the forthcoming AGM pursuant to Rule 720(6) of the Listing Manual of the SGX-ST

Mr Djohan Sutanto, Mr Joseph Tan Chin Aik and Mr Chia Heng Chian will be seeking re-election as Directors of the Company at the forthcoming AGM to be convened on 5 February 2021 under Ordinary Resolutions 2, 3 and 4 as set out in the Notice of AGM dated 21 January 2021 (collectively, the "Retiring Directors" and each a "Retiring Director").

Name of Director	Djohan Sutanto	Joseph Tan Chin Aik	Chia Heng Chian
Date of Appointment	11 August 2020	22 December 2020	22 December 2020
Date of Last Re-Appointment	–	–	–
Age	62	53	58
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of the Company concurs with the NC that Mr Sutanto is objective in expressing his views, participating in deliberation and decision making of the Board and exercising his judgement as the Non-Executive Chairman and Independent Director on the corporate affairs of the Group, independent of the Management and therefore accepts the recommendation of the NC on the re-appointment of Mr Sutanto as an Non-Executive Chairman and Independent Director of the Company.	The Board of the Company concurs with the NC that Mr Tan is objective in expressing his views, participating in deliberation and decision making of the Board and exercising his judgement as the Independent Non-Executive Director on the corporate affairs of the Group, independent of the Management and therefore accepts the recommendation of the NC on the re-appointment of Mr Tan as an Independent Non-Executive Director of the Company.	The Board of the Company concurs with the NC that Mr Chia is objective in expressing his views, participating in deliberation and decision making of the Board and exercising his judgement as the Independent Non-Executive Director on the corporate affairs of the Group, independent of the Management and therefore accepts the recommendation of the NC on the re-appointment of Mr Chia as an Independent Non-Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Chairman and Independent Director, Chairman of Nominating Committee and member of Audit and Risk Management Committee and Remuneration Committee	Independent Director, Chairman of member of Remuneration Committee and member of Audit and Risk Management Committee and Nominating Committee	Independent Director, Chairman of member of Audit and Risk Management Committee, and member of Remuneration Committee
Professional qualifications	Please refer to Director's Profile on page 3 of Annual Report.	Please refer to Director's Profile on page 4 of Annual Report.	Please refer to Director's Profile on page 4 of Annual Report.
Working experience and occupation(s) during the past 10 years	Please refer to Director's Profile on page 3 of Annual Report.	Please refer to Director's Profile on page 4 of Annual Report.	Please refer to Director's Profile on page 4 of Annual Report.
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil	Nil

REPORT ON CORPORATE GOVERNANCE

Name of Director	Djohan Sutanto	Joseph Tan Chin Aik	Chia Heng Chian
Any relationship (including immediate family relationship) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Not applicable.	Not applicable.	Not applicable.
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)			
Past (for the last 5 years)	– EJS Consultancy & Trading – Eagle International Consultancy & Trading	– Atkins Law Corporation	– Portek International Pte Ltd – RHT Law Asia LLP
Present	– Commissioner for PT. Satu Pangan Rezeki	– Managing Director of Fervent Law Chambers LLC	– CFO of Advance Micro Foundry Pte Ltd
Any prior experience as a director of an issuer listed on the Exchange?	No. Attended the Listed Entity Director Essentials conducted by Singapore Institute of Directors.	No	No

<u>Information required</u> **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**	
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?
(c)	Whether there is any unsatisfied judgment against him?
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?

REPORT ON
CORPORATE GOVERNANCE

(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?
Each of Mr Sutanto, Mr Tan and Mr Chia has individually given a negative disclosure on each of the above items (a) to (k).	

Disclosure applicable to the appointment of Director only.
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). **Not applicable for each of Mr Sutanto, Mr Tan and Mr Chia as this is a re-election of Director.**

STATEMENT BY DIRECTORS

The directors present their statement to the members together with the audited consolidated financial statements of USP Group Limited (the "Company") and its subsidiary corporations (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2020.

In the opinion of the directors:

i) the consolidated financial statements of the Group and the statement of financial position, and statement of changes in equity of the Company as set out on pages 40 to 118 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 2020 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

ii) at the date of this statement, after considering the matters as disclosed in Note 3 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Executive director and CEO
Tanoto Sau Ian (Appointed on 20 February 2020)

Non-executive directors
Djohan Sutanto (Appointed on 11 August 2020)
Chia Heng Chian (Appointed on 23 December 2020)
Joseph Tan Chin Aik (Appointed on 23 December 2020)

Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the 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.

Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act except as follows:

	Number of ordinary shares			
	Shareholdings registered in their own name		Shareholdings in which a director is deemed to have an interest	
Name of directors and corporation in which interests are held	At beginning of year or date of appointment if later	At end of year	At beginning of year or date of appointment if later	At end of year
The Company				
Tanoto Sau Ian	22,700,000	22,700,000	–	–

STATEMENT BY DIRECTORS

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

By virtue of Section 7 of the Act, the director, Mr. Tanoto Sau Ian is deemed to have an interest in the shares held by the Company in all of its wholly-owned subsidiary corporations.

Except as disclosed in this statement, no director of the Company who held office at the end of the financial year had interests in shares, share options or debentures of the Company or related corporations, either at the beginning or at the end of the financial year.

The directors' interest as at 21 April 2020 were the same as those at the end of the reporting year.

Share options

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiary corporations under option at end of the financial year.

Performance Share Plan

The Company has a Performance Share Plan (the "PSP") that is administered by its remuneration committee ("RC") comprising three independent directors, Joseph Tan Chin Aik, Djohan Sutanto and Chia Heng Chian.

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

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

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

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.

STATEMENT BY DIRECTORS

Share options (cont'd)

Performance Share Plan (cont'd)

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.

As at 31 March 2020, the Company has not granted any performance share awards under the Performance Share Plan except for a 7.4 million performance share awarded to Dr. Lim Boh Soon. Subsequent to the award on September 2019, the Company commenced a suit against Dr. Lim Boh Soon to return the 7.4 million shares to the Company. As at the date of this report, the matter is still before a court. Below are details of the share awards granted to the directors of the Company:

Directors	Shares award granted during the financial year	Aggregate shares granted since commencement of the share award to the end of financial year	Aggregate shares exercised since commencement of the share award to the end of financial year	Aggregate shares award outstanding as at the end of financial year
Lim Boh Soon	7,400,000	–	–	7,400,000

STATEMENT BY DIRECTORS

Audit and risk management committee

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

As at the date of the Directors' Statement
Chia Heng Chian (Chairman) (appointed on 23 December 2020)
Djohan Sutanto (appointed on 11 August 2020)
Joseph Tan Chin Aik (appointed on 23 December 2020)

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

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

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 Audit Committee is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board that Baker Tilly TFW LLP be nominated for re-appointment as independent auditor of the Company at the forth coming Annual General Meeting.

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

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Tanoto Sau Ian
Director

Djohan Sutanto
Director

20 January 2021

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2020
To the members of USP Group Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of USP Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 40 to 118, which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

Going concern assumption

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

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

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

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

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

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

The financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to realise their assets and discharge their liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2020
To the members of USP Group Limited

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

Basis for Disclaimer of Opinion (cont'd)

Going concern assumption (cont'd)

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

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

Other Matters

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2020
To the members of USP Group Limited

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

Report on other legal and regulatory requirements

In our opinion, except for the matter described in the *Disclaimer of Opinion* and *Basis for Disclaimer of Opinion* sections of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tay Guat Peng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

20 January 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 March 2020
(In Singapore Dollars)

	Note	2020 $'000	(Restated) 2019 $'000
Revenue	4	**36,895**	40,985
Cost of sales		**(25,312)**	(27,415)
Gross profit		**11,583**	13,570
Other income			
- Interest income		**62**	88
Other gains and losses			
- Impairment loss on financial assets		**(1,256)**	(503)
- Others	5	**(2,631)**	(20,702)
Expenses			
Distribution costs		**(585)**	(1,470)
Administrative expenses		**(11,795)**	(11,723)
Finance costs	6	**(2,346)**	(1,908)
Loss before tax	7	**(6,968)**	(22,648)
Tax (credit)/expense	9	**332**	(72)
Loss from continuing operations		**(6,636)**	(22,720)
Loss from discontinued operation, net of tax	10	**(14)**	(462)
Loss for the year		**(6,650)**	(23,182)
Other comprehensive income/(loss):			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences arising on consolidation		**212**	(153)
Total comprehensive loss for the year		**(6,438)**	(23,335)
Loss attributable to:			
Equity holders of the Company		**(6,573)**	(23,056)
Non-controlling interests		**(77)**	(126)
Loss for the year		**(6,650)**	(23,182)
Loss attributable to equity holders of the Company relates to:			
Loss from continuing operations		**(6,558)**	(22,626)
Loss from discontinued operation		**(15)**	(430)
		(6,573)	(23,056)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(6,361)**	(23,209)
Non-controlling interests		**(77)**	(126)
		(6,438)	(23,335)
Loss per share for loss attributable to equity holders of the Company (cents per share)			
From continuing and discontinued operations			
Basic and diluted loss per share	11	**(7.06)**	(25.36)
From continuing operations			
Basic and diluted loss per share	11	**(7.04)**	(24.89)
From discontinued operation			
Basic and diluted loss per share	11	**(0.02)**	(0.47)

The accompanying notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

At 31 March 2020
(In Singapore Dollars)

		Group			Company	
			(Restated)	(Restated)		
		31.3.2020	31.3.2019	1.4.2018	**2020**	2019
	Note	**$'000**	$'000	$'000	**$'000**	$'000
ASSETS						
Non-current assets						
Property, plant and equipment	12	**18,022**	17,599	38,793	**67**	162
Investment properties	13	**28,000**	31,603	35,138	**–**	–
Investment in subsidiaries	14	**–**	–	–	**1,097**	1,097
Intangible assets	15	**1**	1,144	1,834	**–**	–
Deferred tax assets	16	**82**	23	533	**–**	–
Total non-current assets		**46,105**	50,369	76,298	**1,164**	1,259
Current assets						
Inventories	17	**11,336**	14,885	13,862	**–**	–
Development property	18	**–**	3,400	4,343	**–**	–
Trade and other receivables	20	**5,528**	8,710	12,165	**13,861**	18,145
Financial assets at fair value through profit or loss	19	**–**	–	1,178	**–**	–
Cash and cash equivalents	21	**3,795**	3,258	3,103	**87**	359
		20,659	30,253	34,651	**13,948**	18,504
Disposal group assets classified as held for sale	10	**11,667**	9,036	–	**–**	–
Total current assets		**32,326**	39,289	34,651	**13,948**	18,504
Total assets		**78,431**	89,658	110,949	**15,112**	19,763
EQUITY AND LIABILITIES						
Equity						
Share capital	22	**51,172**	50,913	50,913	**51,172**	50,913
Treasury shares	23	**(99)**	(99)	(99)	**(99)**	(99)
Other reserves	24	**4,928**	5,466	2,735	**(355)**	(355)
Accumulated losses		**(32,415)**	(25,842)	(2,786)	**(39,263)**	(33,028)
Equity attributable to equity holders of the Company		**23,586**	30,438	50,763	**11,455**	17,431
Non-controlling interests		**7**	84	3,094	**–**	–
Total equity		**23,593**	30,522	53,857	**11,455**	17,431
Non-current liabilities						
Deferred tax liabilities	16	**1,018**	1,192	2,065	**–**	–
Other payables	25	**172**	256	383	**–**	–
Borrowings	26	**3,215**	2,868	31,064	**–**	–
Liabilities for post-employment benefits		**98**	32	56	**–**	–
Total non-current liabilities		**4,503**	4,348	33,568	**–**	–

STATEMENTS OF FINANCIAL POSITION

At 31 March 2020
(In Singapore Dollars)

		Group			Company	
			(Restated)	(Restated)		
		31.3.2020	31.3.2019	1.4.2018	**2020**	2019
	Note	**$'000**	$'000	$'000	**$'000**	$'000
Current liabilities						
Trade and other payables	29	**4,068**	7,055	6,463	**2,157**	2,332
Contract liabilities	30	**292**	183	291	**–**	–
Borrowings	26	**40,098**	43,718	16,607	**1,500**	–
Derivative financial instruments	28	**14**	15	–	**–**	–
Income tax payable		**99**	564	163	**–**	–
		44,571	51,535	23,524	**3,657**	2,332
Liabilities directly associated with disposal group classified as held for sale	10	**5,764**	3,253	–	**–**	–
Total current liabilities		**50,335**	54,788	23,524	**3,657**	2,332
Total liabilities		**54,838**	59,136	57,092	**3,657**	2,332
Total equity and liabilities		**78,431**	89,658	110,949	**15,112**	19,763

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2020
(In Singapore Dollars)

Group	Share capital $'000	Treasury shares $'000	Other reserves $'000	Accumulated losses $'000	Equity attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 April 2019, as reported	50,913	(99)	4,716	(25,017)	30,513	84	30,597
Prior year adjustments (Note 39)	–	–	750	(825)	(75)	–	(75)
At 1 April 2019, as restated	50,913	(99)	5,466	(25,842)	30,438	84	30,522
Loss for the financial year	–	–	–	(6,573)	(6,573)	(77)	(6,650)
Other comprehensive income							
Currency translation differences arising on consolidation	–	–	212	–	212	–	212
Total comprehensive income/(loss) for the financial year	–	–	212	(6,573)	(6,361)	(77)	(6,438)
Issuance of shares pursuant to PSP (Note 22)	259	–	–	–	259	–	259
Deferred equity consideration (Note 24)	–	–	(750)	–	(750)	–	(750)
At 31 March 2020	**51,172**	**(99)**	**4,928**	**(32,415)**	**23,586**	**7**	**23,593**
At 1 April 2018, as reported	50,913	(99)	1,985	(2,173)	50,626	3,094	53,720
Prior year adjustments (Note 39)	–	–	750	(613)	137	–	137
At 1 April 2018, as restated	50,913	(99)	2,735	(2,786)	50,763	3,094	53,857
Loss for the financial year	–	–	–	(23,056)	(23,056)	(126)	(23,182)
Other comprehensive loss							
Currency translation differences arising on consolidation	–	–	(153)	–	(153)	–	(153)
Total comprehensive loss for the financial year	–	–	(153)	(23,056)	(23,209)	(126)	(23,335)
Acquisition of parts of non-controlling interest in subsidiaries (Note 24(c))	–	–	2,884	–	2,884	(2,884)	–
At 31 March 2019	50,913	(99)	5,466	(25,842)	30,438	84	30,522

Company	Share capital $'000	Treasury shares $'000	Other reserves $'000	Accumulated losses $'000	Total equity $'000
At 1 April 2019	50,913	(99)	(355)	(33,028)	17,431
Issuance of shares pursuant to PSP (Note 22)	259	–	–	–	259
Loss and total comprehensive loss for the financial year	–	–	–	(6,235)	(6,235)
At 31 March 2020	**51,172**	**(99)**	**(355)**	**(39,263)**	**11,455**
At 1 April 2018	50,913	(99)	(355)	(11,275)	39,184
Loss and total comprehensive loss for the financial year	–	–	–	(21,753)	(21,753)
At 31 March 2019	50,913	(99)	(355)	(33,028)	17,431

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 March 2020
(In Singapore Dollars)

	Group	
		(Restated)
	2020	2019
	$'000	$'000
Cash flow from operating activities		
Loss before tax from continuing operations	(6,968)	(22,648)
Profit/(loss) before tax from discontinued operation	232	(462)
Total loss before tax	(6,736)	(23,110)
Adjustments for:		
Interest income	(65)	(88)
Interest expense	2,382	2,063
Interest expense on lease liabilities	339	–
Amortisation of intangible assets	170	67
Allowance for impairment of trade receivables	979	9
Allowance for impairment of other receivables	34	464
Allowance for impairment of intangible assets	973	164
Bad debt written off	259	30
Depreciation of property, plant and equipment	2,379	2,585
Deferred rental	–	121
Deposits written off	–	4,462
Impairment loss of property, plant and equipment	54	934
Inventory written off	141	20
Fair value loss on investment properties	2,000	3,500
Fair value loss on financial assets at fair value through profit or loss	–	1,178
Loss/(gain) on disposal of property, plant and equipment	64	(72)
Loss on disposal of investment properties	149	–
Loss on dissolution of a subsidiary	–	10
(Gain)/loss on derivative financial instruments	(1)	15
Property, plant and equipment written off	39	9,657
Write down of development properties	–	972
Foreign currency translation	278	(94)
Operating cash flows before movement in working capital	3,438	2,887
Trade and other receivables	1,753	(1,573)
Inventories	3,427	(1,124)
Trade and other payables	(2,207)	1,419
Contract liabilities	109	108
Development properties	3,400	(29)
Cash generated from operations	9,920	1,688
Income tax refunded	(872)	122
Net cash generated from operating activities	9,048	1,810

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2020
(In Singapore Dollars)

	Group	
		(Restated)
	2020	2019
	$'000	$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(371)	(894)
Payment of deferred consideration	(1,182)	–
Proceeds on disposal of property, plant and equipment	13	–
Proceeds on disposal of investment properties	1,454	611
Interest received	65	88
Net cash used in investing activities	(21)	(195)
Cash flows from financing activities		
Proceeds from loans and borrowings	–	2,544
Repayment of loans and borrowings	(6,265)	(2,353)
Proceeds from loan from shareholder	1,500	–
Proceeds from loan from third party	350	–
Repayment of loan from third party	(200)	–
Increase in fixed deposits pledged	(182)	(330)
Repayment of finance lease liabilities	–	(153)
Repayment of lease liabilities	(399)	–
Interest paid	(2,337)	(2,063)
Interest paid on lease liabilities	(339)	–
Net cash used in financing activities	(7,872)	(2,355)
Net increase/(decrease) in cash and cash equivalents	1,155	(740)
Cash and cash equivalents at beginning of financial year	(1,008)	(268)
Cash and cash equivalents at end of financial year (Note 21)	147	(1,008)

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

These notes form an integral part of and should be read in conjunction with the accompanying 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 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623. The principal place of business of the Company is at 7 Temasek Boulevard #29-02A Singapore 038987.

The principal activities of the Company are those of an investment holding company.

The principal activities of the subsidiaries are described in Note 14. There have been no significant changes in the nature of these activities during the financial year.

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

2 Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Singapore dollar ("$") (rounded to the nearest thousand ($'000) except when otherwise indicated), and have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"). The financial statements have been prepared under the historical cost convention except as disclosed in the following accounting policies.

The preparation of financial statements in conformity with SFRS(I) requires the use of 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 financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

New and revised standards

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

2 Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

The adoption of these new and revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial performance or position of the Group and the Company except as disclosed below:

SFRS(I) 16 Leases

When the Group is the lessee

SFRS(I) 16 replaces the existing SFRS(I) 1-17 *Leases* for financial periods beginning 1 April 2019. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability.

On adoption of SFRS(I) 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "Operating Leases" under SFRS(I) 1-17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as at 1 April 2019.

	Group 2020		
	Continuing operation	Discontinued operation	Total
	$'000	$'000	$'000
Operating lease commitments disclosed as at 31 March 2019 (Note 37)	2,897	5,847	8,744
Discounted using the weighted average lessee's incremental borrowing rate	(629)	(1,938)	(2,567)
Add: finance lease liabilities recognised as at 31 March 2019 (Note 27)	216	4	220
Less: short term leases recognised on a straight-line basis as an expense	(26)	–	(26)
Add/less: adjustments relating to changes in the index or rate affecting variable lease payment	–	85	85
Add/less: adjustments as a result of a different treatment of extension or termination options	(904)	–	(904)
Lease liabilities recognised as at 1 April 2019	1,554	3,998	5,552
Weighted average lessee's incremental borrowing rate applied to the lease liabilities	4.43%	7.00%	6.05%

The associated right-of-use assets were measured at the amount equal to the lease liabilities (adjusted for any prepaid or accrued lease payment) on adoption. As at 1 April 2019, included within property, plant and equipment was right-of-use assets of $8,800,000. Arising from the adoption of SFRS(I) 16, deferred rent payable arising from the rental of leasehold land previously included as trade and other payables was reclassed as right-of-use assets. Right-of-use assets and lease liabilities of $4,750,000 and $5,552,000 respectively for the Group were recognised on the statements of financial position on 1 April 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

2 Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

<u>When the Group is the lessee (cont'd)</u>

In applying SFRS(I) 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- account for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

<u>When the Group is the lessor</u>

There are no material changes to accounting by the Group as a lessor.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 March 2020 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

(b) Revenue recognition

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

Sales of goods

Revenue from sale of marine equipment and accessories and sale of scientific and precision equipment is recognised at a point in time when the performance obligation is satisfied by transferring a promised goods to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered). For sale of goods where advances are received from customers, the differences between the consideration received in accordance with the payment terms and revenue recognised is classified as contract liabilities.

Rendering of services

Revenue from rendering of marine equipment related services; calibration services and other rental related services is recognised when the Company satisfies the performance obligation at a point in time once the service has been completed.

Properties development

Revenue from sales of completed development properties is recognised when the customer obtains control of the asset, upon transfer of legal title. Revenue from these sales is recognised based on the price specified in the contract.

2 Summary of significant accounting policies (cont'd)

(b) Revenue recognition (cont'd)

Rental income

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

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(i). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

2 Summary of significant accounting policies (cont'd)

(d) Basis of consolidation (cont'd)

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

When a change in the Company's ownership interest in a subsidiary result in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated losses if required by a specific SFRS(I).

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

(e) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

(f) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

(g) Employee benefits

Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

2 Summary of significant accounting policies (cont'd)

(g) Employee benefits (cont'd)

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

Defined benefit plans

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 end of reporting period, 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.

(h) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided using the liability method, on all temporary differences at the end of reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

2 Summary of significant accounting policies (cont'd)

(i) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(j) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any accumulated impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation

No depreciation is provided on freehold land. Leasehold land and buildings are amortised evenly over the term of the lease.

Depreciation is calculated on a straight-line basis to write off the cost or revalued amount of other property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Freehold buildings	50 years
Leasehold land and properties	16 to 41 years
Leasehold improvement	3 to 10 years
Plant and machinery	5 to 10 years
Office equipment	3 to 10 years
Furniture and fittings	5 to 10 years
Motor vehicles	4 to 8 years
Computers	3 to 5 years

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

2 Summary of significant accounting policies (cont'd)

(j) Property, plant and equipment (cont'd)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Properties in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(k) Investment properties

Investment properties include those portions of properties that are held to earn rental income and/or for capital appreciation, and for those properties held by the leasee as right-of-use assets that are held to earn income and/or for long-term capital appreciation or for a currently indeterminate use. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

Transfers are made to or from investment property only when there is a change in use. When transfer is made between investment property and development property, its carrying amount at the date of transfer becomes its carrying amount for subsequent accounting.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

(l) Intangible assets

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

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives of customer relationship was estimated to be 10 years.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

2 Summary of significant accounting policies (cont'd)

(m) Impairment of non-financial assets excluding goodwill

At the end of each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(o) Development property

Development property is property 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 property is held as inventories and are measured at the lower of cost and net realisable value.

Net realisable value of development property 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 property 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 Summary of significant accounting policies (cont'd)

(p) Leases

The accounting policy for leases before 1 April 2019 is as follows:

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 impracticable 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.

The accounting policy for leases after 1 April 2019 is as follows:

When a Group entity is the lessee

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented within "borrowings" and "liabilities directly associated with disposal group classified as held for sale" in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

2 Summary of significant accounting policies (cont'd)

(p) Leases (cont'd)

The accounting policy for leases after 1 April 2019 is as follows (cont'd):

When a Group entity is the lessee (cont'd)

Lease liabilities (cont'd)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset as follows:

	Years
Leasehold land and properties	2 - 41
Motor vehicles	1 - 10

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets (except for those which meets the definition of an investment property) are presented within “Property, plant and equipment” in the statements of financial position and Note 10. Right-of-use asset which meets the definition of an investment property are presented within “Investment properties” and accounted in accordance with Note 2(k).

The Group applies SFRS(I) 1-36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(m).

When a Group entity is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost 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.

When a contract includes both lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration under the contract to each component.

2 Summary of significant accounting policies (cont'd)

(q) Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss ("FVTPL").

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Subsequent measurement

i) Debt instruments

Debt instruments include cash and cash equivalents, trade receivables and other receivables (excluding prepayments, tax recoverable and other recoverable).

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

2 Summary of significant accounting policies (cont'd)

(q) Financial assets (cont'd)

Subsequent measurement (cont'd)

ii) Equity instruments

The Group subsequently measures all its equity investments at their fair value. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses".

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(r) Cash and cash equivalents in the statement of cash flows

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts that form an integral part of the Group's cash management, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged fixed deposits. Bank overdrafts are included in current borrowings on the statements of financial position.

2 Summary of significant accounting policies (cont'd)

(s) Financial liabilities

Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

(t) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the amount initially recognised less cumulative amount of income recognised in accordance with the principles of SFRS(I) 15 and the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

(u) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage time is recognised as a finance cost in profit or loss.

(v) Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at the subsequent reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instruments, and if so, the nature of the item being hedge.

Changes in the fair value of derivative financial instruments that are not designated or do not qualify for hedge accounting are recognised in profit or loss as they arise.

(w) Share capital

Ordinary shares

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

2 Summary of significant accounting policies (cont'd)

(w) Share capital (cont'd)

Treasury shares

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of the capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

(x) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar, which is the Company's functional and presentation currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Translation of Group entities' financial statements

The financial performance and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

2 Summary of significant accounting policies (cont'd)

(x) Foreign currencies (cont'd)

Translation of Group entities' financial statements (cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign operation/entity, the cumulative amount of the foreign currency translation reserve relating to that particular foreign operation/entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

(y) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

(z) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

The assets are not depreciated or amortised while they are classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt in the preceding paragraphs).

Going concern assumption

With the outbreak of coronavirus disease of 2019 ("COVID-19") pandemic during the financial year, the Singapore and Malaysia Governments enacted its emergency plan which has seen the closure of Singapore and Malaysia borders from March/April 2020 and has resulted in an increased level of restrictions on certain business operations. This pandemic has also resulted in significant volatility and instability in the financial markets. The outlook remains highly uncertain.

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

The Group and the Company incurred a net loss of $6,650,000 (2019: $23,182,000) and $6,235,000 (2019: $21,753,000) respectively for the financial year ended 31 March 2020 and as at that date, the Group's current liabilities exceeded its current assets by $23,912,000 (2019: $21,282,000) for continuing operations.

As disclosed in Note 26, certain subsidiaries have breached their loan covenants as the Company, who is the corporate guarantor of the subsidiaries' loans, did not fulfil the requirement to maintain a minimum consolidated tangible net worth of $30 million (2019: $40 million) and a subsidiary did not fulfil the requirement to maintain a minimum debt service coverage ratio of 1.5 times. As a result, non-current bank loans have been classified to current liabilities in accordance with the requirements of SFRS(I) 1-1 *Presentation of Financial Statements*.

On 16 December 2020, the subsidiaries obtained waiver on the breach on a one-off basis together with the revision of loan covenant to maintain a minimum consolidated tangible net worth of $25 million at all times.

These factors indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern. Nevertheless, management is of the opinion that the use of the going concern basis in the preparation of the financial statements is appropriate, after taking into consideration the following:

(a) As disclosed in Note 10, the Group entered into a legally-binding term sheet with a third party purchaser to dispose its subsidiary, Biofuel Research Pte Ltd, for a cash consideration of $5,585,400 on 11 May 2020. The Group has on 11 May 2020 received from the purchaser a cashier's order of $1,500,000 being the first tranche of purchase consideration and deposited into the Group's bank account in December 2020. The definitive sales and purchase agreement has been entered between the Group and the purchaser on 7 August 2020 and management expects the disposal to be completed not later than 31 March 2021 upon satisfactory fulfilment of all conditions precedent to the agreement including satisfactory completion of due diligence review by the purchaser and the approval of the disposal by shareholders of the Company and by SGX-ST.

(b) The Group obtained written confirmations from the bank concerned on 16 December 2020 that the bank has agreed to accommodate the breach of loan covenants on a one-off basis for the financial year ended 31 March 2020. As a result, management is of the view that the bank will not request for immediate repayment of the outstanding loan amounts even though there was a breach of loan covenants. Had it not been for the breach of the loan covenants and the resultant classification of non-current bank loans to current liabilities, the Group's total current assets would have exceeded total current liabilities by $5,971,000 for continuing operations;

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Critical judgements in applying the entity's accounting policies (cont'd)

(c) The recent eruption of the global COVID-19 pandemic has caused significant disruption to the way how the Group businesses operate. With the global shutdown across borders, Recycling of waste oil segment which largely are exported, has taken a deep hit to the Group's revenue. The Group's core revenue contributor from the marine segment has also bear the brunt of the impact as a result of the Movement Control Order ("MCO") in Malaysia where a large part of the Marine revenue is earned. Similarly, for the rental income from the letting out of industrial office space and dormitory beds. Tenants are taking longer than usual to pay their rent which in turn impact on the cash flow of the Group.

As a result of the global economic devastation, the Group has to recalibrate the costs of doing businesses so that the Group can better manage its working capital while improving the liquidity in the current cashflow rigid situation. In the current environment where the Groups' sales are depressed amid the current COVID-19 pandemic situation, in short term, the Group has only to relook to control its costs which would ultimately impact its profitability; which is why starting 1 June, the Group has implemented a permanent pay cut of 10% to 30% as one of its cost control measure.

On the other hand, the Group is also on the lookout to increase its revenue stream by venturing into the manufacturing of hand sanitizers, expanding the revenue base of the IQAir product and penetrating the Indonesia and Malaysia market of its calibration business.

The Group is able to generate sufficient cash flows from its operating activities to support its operating expenditure for the next 12 months from the reporting year ended 31 March 2020; and

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

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

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 for financial assets at amortised cost

When measuring 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 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.

As the calculation of 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. Details of ECL measurement and carrying value of trade and other receivables at the end of the reporting period are disclosed in Notes 20 and 32.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Allowance for inventories

A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent sales, as well as the implications of the COVID-19 pandemic on the assumptions. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories.

The carrying amounts of the Group's inventories at the end of the reporting period and the amount of inventories written down for the financial year are disclosed in Note 17.

Impairment of investments in subsidiaries

Management assesses impairment of investments in subsidiaries whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable or indicate that the recoverable amount of the investment may be higher than the carrying amount. 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 write-back 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.

The carrying amount of the Company's investments in subsidiaries at the end of the reporting period and impairment losses for the financial year are disclosed in Note 14.

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 financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the Group and Company's property, plant and equipment as at the end of the reporting period and depreciation charge for the financial year are disclosed in Note 12.

Estimating the incremental borrowing rate for leases

The Group uses the incremental borrowing rate to measure the lease liabilities because the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiary companies that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs such as market interest rates, when available and is required to make certain entity-specific estimates, such as the subsidiary company's stand-alone credit rating. Any change in estimation of incremental borrowing rate may have a significant impact to the determination of lease liabilities and right-of-use asset at the date of initial application of SFRS(I) 16. The carrying amount of lease liabilities and right-of-use assets are disclosed in Note 26 and 38 respectively.

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Leasehold properties and redevelopment project

The Group's construction in progress ("CIP") pertains to the costs incurred on a leasehold property which is part of the Group's redevelopment project together with another leasehold properties. In view of the current global economic situation, the Group decided to abort the redevelopment project after management's re-consider the Group's business strategy. Management is of the view that the amount spent which is capitalised as CIP may not be fully recovered from the lessor, JTC Corporation of the leasehold land and building. An impairment is recognised on CIP amounting to $54,000 (2019: $934,000) based on recoverable amount of CIP returned to the lessor. The carrying amount of the Group's CIP as at 31 March 2020 was $1,600,000 (2019: $1,600,000).

4 Revenue

	Group	
	2020	2019
	$'000	$'000
Sale of marine equipment and accessories	**24,899**	34,496
Sale of scientific and precision equipment	**1,685**	622
Sales of development properties	**3,280**	–
Rendering of marine equipment related services	**2,863**	529
Rendering of calibration services	**503**	1,704
Rendering of rental related services	**1,389**	923
Rental income	**2,276**	2,711
	36,895	40,985
Timing of revenue recognition		
At point in time	**34,619**	38,274
Over time	**2,276**	2,711
	36,895	40,985

5 Other gains and losses - Others

	Group	
	2020	2019
	$'000	$'000
Fair value loss on financial assets at fair value through profit or loss	**–**	(1,178)
Fair value loss on investment properties (Note 13)	**(2,000)**	(3,500)
Fair value gain/(loss) on derivative financial instruments	**1**	(15)
Impairment loss of intangible assets (Note 15)	**(973)**	(164)
Impairment loss of property, plant and equipment (Note 12)	**(54)**	(934)
Loss on dissolution of subsidiary	**–**	(10)
Loss on disposal of investment properties (Note 13)	**(149)**	–
(Loss)/gain on disposal of property, plant and equipment	**(66)**	72
Foreign exchange gain, net	**837**	61
Write down of development property (Note 18)	**–**	(972)
Write off of deposit (Note 12 (d))	**–**	(4,462)
Write off of property, plant and equipment (Note 12(d))	**–**	(9,657)
Others	**(227)**	57
	(2,631)	(20,702)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

6 Finance costs

	Group	
	2020	2019
	$'000	$'000
Interest expenses on		
- bank overdraft	**99**	146
- finance lease liabilities	**–**	17
- lease liabilities	**70**	–
- bank loans	**1,347**	1,288
- deferred consideration	**32**	–
- trade financings	**773**	457
- loan from shareholder	**19**	–
- loan from third party	**6**	–
	2,346	1,908

7 Loss before tax from continuing operations

	Group	
	2020	2019
	$'000	$'000
Loss before tax from continuing operations is arrived at after charging:		
Amortisation of intangible assets (Note 15)	**170**	67
Auditors' remuneration paid/payable to:		
- auditor of the Company	**178**	132
- other auditors of the Group*	**45**	33
Fees for non-audit services paid to:		
- auditor of the Company	**–**	–
- other auditors of the Group	**–**	–
Allowance for impairment of trade receivables (Note 20)	**979**	9
Allowance for impairment of other receivables (Note 20)	**34**	464
Bad debts written off	**243**	30
Depreciation of property, plant and equipment	**1,209**	1,452
Directors' fees	**141**	162
Inventories written down (Note 17)	**141**	20
Professional fees	**598**	359
Property tax	**265**	299
Rental expenses (Note 38)	**112**	350
Selling and operation expense related to sale of marine equipment and accessories	**508**	1,056
Staff costs (Note 8)	**5,205**	6,070

* Includes independent member firm of the Baker Tilly International network.

8 Staff costs

	Group	
	2020	2019
	$'000	$'000
Salaries, bonuses and other employees' benefits	**4,407**	5,249
Contributions to defined contribution plans	**492**	639
Other benefits	**306**	182
	5,205	6,070

The staff costs are included in administrative expenses. Staff cost include key management personnel compensation which is disclosed in Note 34(b).

9 Tax (credit)/expense

	Group	
	2020	2019
	$'000	$'000
Tax (credit)/expense attributable to losses is made up of:		
From continuing operations		
- capital gain	**29**	–
- current income tax	**111**	421
- deferred tax	**(37)**	(75)
	103	346
Over provision in respect of prior years		
- current income tax	**(249)**	(173)
- deferred tax	**(186)**	(101)
	(332)	72
From discontinued operation (Note 10)		
Deferred tax		
- current year	**136**	–
- over provision in respect of prior years	**110**	–
	246	–
	(86)	72

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

9 Tax (credit)/expense (cont'd)

The income tax (credit)/expense on the results of the financial year differs from the amount of income tax determined by applying the Singapore statutory rate of income tax due to the following factors:

	Group	
	2020	2019
	$'000	$'000
(Loss)/profit before tax from:		
Continuing operations	**(6,968)**	(22,648)
Discontinued operation (Note 10)	**232**	(462)
	(6,736)	(23,110)
Tax calculated at a tax rate of 17% (2019: 17%)	**(1,145)**	(3,929)
Expenses not deductible for tax purposes	**1,745**	3,956
Effect of different tax rates in different countries	**(80)**	(8)
Tax effect of non-taxable income	**(355)**	(57)
Deferred tax assets not recognised	**75**	571
Tax rebate and exemptions	**(30)**	(77)
Capital gain tax	**29**	–
Over provisions of current income tax in respect of prior years	**(249)**	(173)
Over provisions of deferred tax in respect of prior years	**(76)**	(101)
Utilisation of Group relief	**–**	(134)
Others	**–**	24
	(86)	72

As at 31 March 2020, the Group has unutilised tax losses and unabsorbed capital allowances of $13,400,000 and $3,011,000 (2019: $14,200,000 and $3,011,000) respectively that are available for set-off against future taxable profits, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and capital allowances is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislations of the respective countries in which the Group operates.

The unutilised tax losses and capital allowance do not have any expiry date except for the unutilised tax losses arising from the subsidiaries in the jurisdiction of Republic of Indonesia and Malaysia amounting to $592,000 and $45,000 (2019: $609,000 and $nil) respectively which can only be utilised for the set-off against its future taxable profits within five and seven years from the date the tax losses were incurred.

10 Discontinued operation and Disposal group classified as held for sale

On 23 May 2019, the Group entered into a binding term sheet ("Term Sheet") with a third party purchaser in relation to the proposed disposal by the Company of its entire interest of 93.09% shareholdings in a subsidiary, Biofuel Research Pte Ltd ("Biofuel") undertaking the Group's recycling of waste oil business (the "Proposed Disposal") for a consideration of $5,585,400. The binding term sheet was terminated on 12 December 2019.

Thereafter, management continued to actively look for a new purchaser. At the board meeting held on 23 March 2020, the management approved to dispose Biofuel to the same third party purchaser and a new binding term sheet was re-entered between the Group and same third party purchaser to continue the proposed disposal for a sale consideration of $5,585,400 on 11 May 2020. A definitive sale and purchase agreement was entered with this third party purchaser on 7 August 2020 and completion is expected to take place no later than 31 March 2021 upon satisfactory fulfilment of all conditions precedent to the agreement including satisfactory completion of due diligence review by the purchaser and obtaining the approval of the Proposed Disposal by shareholders of the Company and by SGX-ST.

10 Discontinued operation and Disposal group classified as held for sale (cont'd)

Management has reviewed and concluded that Biofuel, as a result of the proposed disposal, meets the requirements of SFRS(I) 5 to be presented as discontinued operation as at end of the reporting year. Therefore, the entire recycling of waste oil business which was contributed by Biofuel is presented as discontinued operation and classified as assets and liabilities held for sale.

Analysis of the result of discontinued operation of disposal group is as follows:

Disclosures for statement of financial position

The major classes of assets and liabilities of recycling of waste oil business classified as held for sale as at 31 March 2020 and 31 March 2019 are as follows:

	Group	
	2020	2019
	$'000	$'000
Assets		
Goodwill (Note 15)	**459**	459
Property, plant and equipment (Note 12)	**10,582**	8,339
Inventories	**62**	81
Trade and other receivables	**511**	93
Cash and cash equivalents (Note 21)	**53**	64
Assets of disposal group classified as held for sale	**11,667**	9,036
Liabilities		
Deferred tax liabilities (Note 16)	**432**	186
Trade and other payables	**495**	1,315
Lease liabilities (Note 26(d))	**3,831**	4
Borrowings (Note 26(d))	**815**	1,748
Provision	**191**	–
Liabilities of disposal group classified as held for sale	**5,764**	3,253
Net assets directly associated with disposal group classified as held for sale	**5,903**	5,783

(a) At 31 March 2020, the net carrying values of disposal group's property, plant and equipment under right-of-use assets was $3,122,000 (1.4.2019: $3,413,000) (Note 38).

(b) Addition of property, plant and equipment during the year is $39,000 (2019: $100,000) (Note 12(b)).

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

10 Discontinued operation and Disposal group classified as held for sale (cont'd)

Disclosures for statement of profit or loss

The results of discontinued operation for the financial year ended 31 March 2020 and 2019 are as follows:

	Group	
	2020	2019
	$'000	$'000
Revenue	**2,408**	2,129
Cost of sales	**(363)**	(447)
Gross profit	**2,045**	1,682
Other income and other gains	**248**	313
Expenses		
Distribution costs	**–**	(303)
Administrative expenses	**(1,686)**	(1,999)
Finance costs	**(375)**	(155)
Profit/(loss) before tax from discontinued operation	**232**	(462)
Tax expenses (Note 9)	**(246)**	–
Loss after tax from discontinued operation	**(14)**	(462)

The impact of the discontinued operations on the cash flows of the Group are as follows:

	Group	
	2020	2019
	$'000	$'000
Operating activities	**1,560**	1,309
Investing activities	**(37)**	(43)
Financing activities	**(1,512)**	(1,448)
Total cash inflows/(outflows)	**11**	(182)

10 Discontinued operation and Disposal group classified as held for sale (cont'd)

Disclosures for statement of profit or loss (cont'd)

Loss before income tax of the disposal group was arrived at after charging:

	Group	
	2020	2019
	$'000	$'000
Gain on disposal of property, plant and equipment	**(2)**	(27)
Interest expenses		
- bank loans	**93**	147
- lease liabilities	**269**	–
- unwind of discount for provision of restoration cost	**13**	–
- finance lease liabilities	**–**	8
Depreciation of property, plant and equipment	**1,170**	1,133
Staff costs		
- salaries and other related costs	**258**	289
- CPF	**12**	13
Bad debts written off	**16**	–
Property, plant and equipment written off	**39**	–
Rental expense	**55**	555

11 Earnings per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2020	2019
Loss from continuing operations, net of tax ($'000)	**(6,558)**	(22,626)
Loss from discontinued operation, net of tax ($'000)	**(15)**	(430)
Loss for the year attributable to equity holders of the Company ($'000)	**(6,573)**	(23,056)
Weighted average number of ordinary shares on issue ('000)	**93,080**	90,922
Basic and diluted loss per share (cents)		
- Continuing operations	**(7.04)**	(24.89)
- Discontinued operation	**(0.02)**	(0.47)
Total continuing and discontinued operations	**(7.06)**	(25.36)

There was no difference between the basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive for the financial years ended 31 March 2020 and 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

12 Property, plant and equipment

Group	Freehold lands and buildings $'000	Leasehold land and properties $'000	Leasehold improvement $'000	Plant and machinery $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Computers $'000	Construction in progress $'000	Total $'000
Cost										
At 1.4.2018	6,038	22,046	571	15,316	623	816	2,525	585	2,460	50,980
Currency translation difference	–	(38)	–	–	–	–	(3)	–	–	(41)
Additions	–	13	22	559	54	3	141	28	74	894
Disposals	(202)	–	(5)	(357)	–	–	(538)	–	–	(1,102)
Write-off	–	–	–	(10,177)	–	–	–	–	–	(10,177)
Transfer to asset held for sale (Note 10)	–	(10,176)	(61)	(4,303)	(138)	–	(84)	–	–	(14,762)
At 31.3.2019	5,836	11,845	527	1,038	539	819	2,041	613	2,534	25,792
Recognition of right-of-use asset on initial application of SFRS(I) 16	–	1,337	–	–	–	–	–	–	–	1,337
Cost at 1.4.2019, restated	5,836	13,182	527	1,038	539	819	2,041	613	2,534	27,129
Currency translation difference	–	–	–	–	(40)	–	–	–	–	(40)
Additions	–	17	11	183	56	10	110	5	54	446
Disposals	–	–	(16)	(2)	(6)	(7)	(265)	(39)	–	(335)
At 31.3.2020	**5,836**	**13,199**	**522**	**1,219**	**549**	**822**	**1,886**	**579**	**2,588**	**27,200**
Accumulated depreciation and impairment losses										
At 1.4.2018	495	3,162	431	4,380	386	727	2,107	499	–	12,187
Currency translation difference	–	(2)	–	–	(5)	–	–	–	–	(7)
Charge for the year	87	1,436	61	592	142	37	165	65	–	2,585
Impairment	–	–	–	–	–	–	–	–	934	934
Disposals	(29)	–	(5)	(100)	–	–	(429)	–	–	(563)
Write-off	–	–	–	(520)	–	–	–	–	–	(520)
Transfer to asset held for sale (Note 10)	–	(2,593)	(36)	(3,709)	(63)	–	(22)	–	–	(6,423)
At 31.3.2019	553	2,003	451	643	460	764	1,821	564	934	8,193
Currency translation difference	–	–	–	–	(20)	–	–	–	–	(20)
Charge for the year	52	667	47	182	105	28	99	29	–	1,209
Impairment	–	–	–	–	–	–	–	–	54	54
Disposals	–	–	(7)	(2)	(7)	(4)	(201)	(37)	–	(258)
At 31.3.2020	**605**	**2,670**	**491**	**823**	**538**	**788**	**1,719**	**556**	**988**	**9,178**
Net carrying value										
At 31.3.2019	5,283	9,842	76	395	79	55	220	49	1,600	17,599
At 31.3.2020	**5,231**	**10,529**	**31**	**396**	**11**	**34**	**167**	**23**	**1,600**	**18,022**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

12 Property, plant and equipment (cont'd)

Company	Office equipment $'000	Motor vehicle $'000	Computers $'000	Total $'000
Cost				
At 1 April 2018 and 31 March 2019	119	132	19	270
Disposal	–	(132)	–	(132)
At 31 March 2020	**119**	**–**	**19**	**138**
Accumulated depreciation				
At 1 April 2018	11	46	15	72
Charge for the year	19	13	4	36
At 31 March 2019	30	59	19	108
Charge for the year	22	9	–	31
Disposal	–	(68)	–	(68)
At 31 March 2020	**52**	**–**	**19**	**71**
Net carrying value				
At 31 March 2019	89	73	–	162
At 31 March 2020	**67**	**–**	**–**	**67**

(a) At 31 March 2019, the net carrying values of property, plant and equipment of the Group acquired under finance lease agreements (classified as finance lease under SFRS(I) 1-17) amounted to $179,000 (Note 27). The Group's obligations under the finance lease are secured by the lessor's title to the leased assets.

(b) Purchase of property, plant and equipment in the consolidated cash flows:

	Group 2020 $'000	Group 2019 $'000
Aggregate cost of property, plant and equipment acquired		
- continuing operations	**446**	794
- discontinued operation (Note 10)	**39**	100
	485	894
Less: additions to right-of-use assets (Note 38)	**(114)**	–
Net cash outflow for purchase of property, plant and equipment	**371**	894

(c) Bank loans are secured on properties of the Group with a net carrying value of $7,730,000 (2019: $8,051,000) (Note 26).

(d) During the financial year ended 31 March 2019, management has written off the full carrying value of two eco-fuel machines of $9,657,000 and deposit paid amounting to $4,696,000 for an eco-fuel machines that had yet to be delivered.

(e) Management has carried out an impairment assessment on one parcel of land which is included in the construction in progress and an impairment loss of $54,000 (2019: $934,000) was recognised to profit or loss to write down the construction in progress to its recoverable amount of $1,600,000 (2019: $1,600,000) when the land returned to JTC Corporation on October 2020.

(f) As at 31 March 2020, the net carrying value of the Group's right-of-use assets under property, plant and equipment was $9,841,000 (1.4.2019: $10,137,000) (Note 38).

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

13 Investment properties

	Group	
	2020	2019
	$'000	$'000
At fair value		
Balance at beginning of year	**31,603**	35,138
Disposal	**(1,603)**	–
Net fair value loss recognised profit or loss (Note 5)	**(2,000)**	(3,500)
Exchange differences	**–**	(35)
Balance at end of year	**28,000**	31,603

These investment properties are mortgaged to secure bank loans (Note 26).

The following amounts are recognised in profit or loss:

	Group	
	2020	2019
	$'000	$'000
Rental and other related income from investment properties (Note 4)	**3,665**	3,634
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income	**765**	837

During the financial year, the subsidiary disposed investment properties to third parties for a sales consideration of $1,454,000. The loss on disposal of $149,000 was recognised in profit or loss (Note 5).

The investment properties held by the Group are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
At 31 March 2020			
182, 184, 186 Woodlands Industrial Park E5, Singapore 757515	Workshops, offices and workers' dormitory	30 years lease commencing 25 April 2007	18 years
At 31 March 2019			
182, 184, 186 Woodlands Industrial Park E5, Singapore 757515	Workshops, offices and workers' dormitory	30 years lease commencing 25 April 2007	19 years
A one bedroom apartment at 25G Garden Tower, Tower 1, Manila, Philippines	Residential	Freehold	N/A
149 Residence Tower Woodberry Grove, London N4 2BS, United Kingdom	Residential	Leasehold	years

13 Investment properties (cont'd)

The fair value of the investment properties located at Woodlands Industrial Park at the end of the reporting period is determined based on the valuation performed by a professional valuer on 22 June 2020 using a direct comparison with recent transactions of comparable properties within the vicinity at the end of the reporting period. The valuer has taken into consideration the prevailing market conditions and have made due adjustments for differences between the property and the comparables in terms of locations, size, layout and other factors affecting its value. The current property market is uncertain and the value of the property may be affected by the impact and timing of recovery of the property market impacted by COVID-19 pandemic outbreak subsequent to the end of the reporting date. This fair value measurement is categorised in the Level 3 of the fair value hierarchy.

The fair value of the investment properties located at Woodlands Industrial Park as at end of the previous reporting year was based on valuation performed by a professional valuer on 3 May 2019. The fair value was determined based on comparable market transaction and income capitalisation method that consider sales of similar properties that have been transacted in the open markets and the estimated market net income capitalised at appropriate market capitalisation rate. This fair value is regarded as Level 3 fair value measurement as the valuation includes inputs for the assets that are based on comparison with market evidence of recent transaction prices and rental price per square foot for similar properties.

In 2019, the fair value of the Group's investment properties in Manila and London was based on comparable market transactions that considered sales of similar properties that have been transacted in the open market. This fair value was regarded as Level 3 fair value measurement.

The following table shows the significant unobservable inputs used in the valuation model:

Description	Fair value $'000	Valuation technique	Significant unobservable input (1)	Relationship of unobservable inputs to fair value
Woodlands Industrial Park	28,000	Direct comparison method	Price per square foot (1)	Favorable (adverse) change in price will increase (decrease) fair value
2019				
Woodlands Industrial Park	30,000	Direct comparison method and income capitalisation method	Transaction price and rental price per square foot (1)	Favorable (adverse) change in price will increase (decrease) fair value
Manila, Philippines and London N4 2BS, United Kingdom	1,603	Direct comparison method	Price per square foot (1)	Favorable (adverse) change in price will increase (decrease) fair value

(1) Any significant isolated increases (decreases) in the significant unobservable input would result in a significantly higher (lower) fair value measurement.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

14 Investment in subsidiaries

	Company 2020 $'000	Company 2019 $'000
Unquoted equity shares, at cost	**1,358**	1,358
Allowance for impairment	**(261)**	(261)
Net carrying amounts	**1,097**	1,097

Movements in the allowance for impairment are as follows:

	2020	2019
Balance at beginning of the year	**261**	–
Allowance for impairment	**–**	261
Balance at end of the year	**261**	261

(a) Details of subsidiaries held by the Company are:

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest 2020 %	Proportion of ownership interest 2019 %
Held by the Company				
USP Properties Pte Ltd ^	Investment holding and real estate developer	Singapore	**100**	100
USP Industrial Pte Ltd ^	Investment holding, research and development, engineering, manufacturing and consultancy for biofuel industry	Singapore	**100**	100
Biofuel Research Pte Ltd ^	Research and development, engineering, manufacturing and consultancy for biofuel industry	Singapore	**7**	7
Held by USP Industrial Pte Ltd				
Biofuel Research Pte Ltd ^	Research and development, engineering, manufacturing and consultancy for biofuel industry	Singapore	**86**	86
BOS Marine Pte Ltd^	Wholesale of marine equipment and accessories	Singapore	**100**	100
USPI Investment Pte Ltd ^	Investment holding	Singapore	**100**	100
Scientific & Industrial Instrumentation Pte Ltd ^	Trading in scientific and industrial instruments	Singapore	**100**	100
Held by Scientific & Industrial Instrumentation Pte Ltd				
SII Scientific (S) Pte Ltd ^	Wholesale of medical, professional, scientific and precision equipment	Singapore	**100**	100
Held by BOS Marine Pte Ltd				
BOS Marine (M) Sdn Bhd *	Wholesale of marine equipment and accessories	Malaysia	**100**	100
Held by USPI Investment Pte Ltd				
Supratechnic Pte Ltd ^	Wholesale of industrial machinery and equipment, marine equipment and accessories	Singapore	**100**	100

(In Singapore Dollars)

14 Investment in subsidiaries (cont'd)

(a) Details of subsidiaries held by the Company are (cont'd):

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest 2020 %	2019 %
Held by Supratechnic Pte Ltd				
Supratechnic (M) Sdn. Bhd. *	Trading in outboard motors and general merchandise	Malaysia	**100**	100
PT Supratechnic Instrumentasi *	Trading in outboard motors and general merchandise	Indonesia	**100**	100
Held by Supratechnic (M) Sdn Bhd				
Semangat Hitech Sdn. Bhd. *	Letting out properties and general traders	Malaysia	**100**	100
Held by USP Properties Pte Ltd				
USPP Woodlands Pte Ltd ^	Investment holding	Singapore	**100**	100
Held by USPP Woodlands Pte Ltd				
Koon Cheng Development Pte Ltd ^	Real estate developer	Singapore	**100**	100

^ Audited by Baker Tilly TFW LLP

* Audited by overseas independent member firms of Baker Tilly International

(b) On 16 July 2019, the Company incorporated a wholly-owned subsidiary, Max Financial Pte Ltd, a company incorporated in Singapore with an issued and paid-up share capital of $400,000 and was struck off on 1 December 2019.

(c) Impairment assessment

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

The estimate of the recoverable amount was determined by management based on net assets value of USP Industrial Pte Ltd, which approximated the recoverable amount of the investment in the subsidiary as management did not have and still do not have any future plans for the operations of this subsidiary.

(d) Summarised financial information of subsidiaries with material non-controlling interests ("NCI")

As at 31 March 2020, the only subsidiary with non-controlling interests is Biofuel Research Pte Ltd whose financial information is disclosed in Note 10.

(e) Acquisition of parts of non-controlling interest in subsidiaries

On 1 March 2019, the Group acquired 10% equity interest in Supratechnic (M) Sdn. Bhd and its subsidiaries, and acquired 49% of Scientific & Industrial Instrumentation Pte Ltd from the non-controlling interest for a cash consideration of $0.33 (MYR1) and $1 respectively as a result of the settlement of litigation between the non-controlling interest and a subsidiary, Scientific & Industrial Instrumentation Pte Ltd. The 10% of non-controlling interest in Supratechnic (M) Sdn. Bhd of $940,000 and 49% of non-controlling interest in Scientific & Industrial Instrumentation Pte Ltd of $1,943,000 were transferred to the capital reserve of the Group (Note 24(c)) subsequent to the acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

15 Intangible assets

Group	Customer relationships $'000	Goodwill $'000	Club membership $'000	Total $'000
Cost				
At 1 April 2018	1,866	481	1	2,348
Transfer to asset held for sale (Note 10)	–	(459)	–	(459)
At 31 March 2019 and 31 March 2020	**1,866**	**22**	**1**	**1,889**
Accumulated amortisation and impairment:				
At 1 April 2018	492	22	–	514
Amortisation charged for the year	67	–	–	67
Impairment charged for the year	164	–	–	164
At 31 March 2019	723	22	–	745
Amortisation charged for the year	170	–	–	170
Impairment charged for the year	973	–	–	973
At 31 March 2020	**1,866**	**22**	**–**	**1,888**
Net carrying amount				
At 31 March 2019	1,143	–	1	1,144
At 31 March 2020	**–**	**–**	**1**	**1**

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

During the financial year 2020, full impairment was recognised by management on the carrying amount of the acquired customer relationships of amounting to $973,000 (2019: $164,000) as Supratechnic group (2019: SII) switched the principal of a featured product of which the acquired customer relationships were related. Therefore, management does not expect future economic benefit to be derived from the acquired customer relationship of Supratechnic group (2019: SII) as at end of the financial year 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

16 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movements in the deferred tax account are as follows:

	Group	
		(Restated)
	2020	2019
	$'000	$'000
Balance at beginning of the year	**1,169**	1,532
Currency translation differences	**(10)**	(1)
Tax credited to		
- Profit or loss (Note 9)	**(223)**	(176)
Transfer to liabilities held for sale (Note 10)	**–**	(186)
Balance at end of the year	**936**	1,169
Representing:		
Non-current		
Deferred tax liabilities	**1,018**	1,192
Deferred tax assets	**(82)**	(23)
	936	1,169

Major deferred tax assets and liabilities recognised by the Group are as follows:

	Accelerated/ (decelerated) tax depreciation	**Fair value uplift on assets from acquisition of subsidiaries**	**Provisions**	**Others**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 1 April 2018	70	1,995	–	(533)	1,532
(Credited)/charged to profit or loss for the year	(70)	(861)	–	755	(176)
Currency translation differences	–	(1)	–	–	(1)
Transfer to liabilities held for sale	(120)	–	–	(66)	(186)
At 31 March 2019	(120)	1,133	–	156	1,169
Charged (credit) to profit or loss for the year	(175)	92	(156)	16	(223)
Currency translation differences	–	(1)	(9)	–	(10)
At 31 March 2020	**(295)**	**1,224**	**(165)**	**172**	**936**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

17 Inventories

	Group	
		(Restated)
	2020	2019
	$'000	$'000
Finished goods	**11,194**	12,520
Goods in transit	**142**	2,365
	11,336	14,885

The following amounts are recognised in profit or loss:

Inventories recognised as an expense in cost of sales	**23,601**	26,750
Inclusive of the following:		
- Inventories written down (Note 7)	**141**	20

18 Development property

	Group	
	2020	2019
	$'000	$'000
<u>Unsold development property</u>		
Land at cost	**–**	3,080
Interest expense capitalised	**–**	207
Other development expenditure	**–**	1,265
Land for development	**–**	4,552
Less: Provision for impairment loss	**–**	(1,152)
	–	3,400

The freehold land has been pledged as security for a bank loan (Note 26).

Movement in provision for impairment loss during the financial year are as follows:

	Group	
	2020	2019
	$'000	$'000
At 1 April	**1,152**	180
Impairment loss recognised in profit or loss (Note 5)	**–**	972
Write off upon disposal	**(1,152)**	–
At 31 March	**–**	1,152

In 2019, impairment loss of $1,152,000 was made on the development property subsequent to management's assessment of the recoverable amount of the property. The recoverable amount is determined based on the sale price agreed with a third party purchaser subsequent to the end of the reporting year. The Option to Purchase was signed with the third party purchaser on 5 September 2019. The development property has been sold on 18 October 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

18 Development property (cont'd)

Details of the development property are as follow:

Description and location	Tenure	Approximate Area (sqft) Land area	Gross floor area	Percentage of completion at the end of reporting period 2020 %	2019 %
A two and a half storey semi-detached house development at 71 Blandford Drive, Singapore	Freehold	2,800	2,875	–	100

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

19 Financial assets at fair value through profit or loss

	Group and Company 2020 $'000	2019 $'000
Financial asset measured at fair value through profit or loss ("FVTPL") - equity shares, at fair value	–	–

The FVTPL above pertain 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 due to lack of marketability of the shares as the trading of the investee's equity securities were suspended by Singapore Stock Exchange.

Subsequent to the year end, the Company has subscribed to an exit offer from the investee at $0.016 per share, amounting to $1,037,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

20 Trade and other receivables

	Group			Company	
		(Restated)	(Restated)		
	2020	2019	2018	**2020**	2019
	$'000	$'000	$'000	**$'000**	$'000
Trade receivables:					
Third parties	**5,085**	7,374	4,782	**–**	–
Less: Allowance for impairment (Note 32 (b))	**(1,304)**	(385)	(376)	**–**	–
Tax recoverable	**45**	18	–	**–**	–
	3,826	7,007	4,406	**–**	–
Other receivables:					
Third parties	**1,116**	1,272	1,076	**–**	–
Subsidiaries	**–**	–	–	**39,140**	37,919
Deposits	**389**	441	5,742	**72**	60
Prepayments	**436**	454	1,175	**9**	19
Other recoverable	**259**	–	–	**259**	–
Less: Allowance for impairment (Note 32 (b))	**(498)**	(464)	(234)	**(25,619)**	(19,853)
	1,702	1,703	7,759	**13,861**	18,145
	5,528	8,710	12,165	**13,861**	18,145

Other recoverable of $259,000 relates to the 7.4 million of performance shares purportedly issued to a former Chief Executive Officer ("CEO") during the year. The Company takes the view that the shares were improperly issued and/or subjected to be forfeited upon the former CEO's resignation. A substantial shareholder had obtained an injunction ("Injunction") against the former CEO from exercising his rights to these shares. The Company had also commenced legal proceedings to forfeit the shares. Both the 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 Injunction and an undertaking from the former CEO's counsel, the said former CEO's will not exercise his rights over the shares and will not dispose of the shares.

Movement in allowance for impairment loss are as follows:

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Trade receivables:				
At 1 April	**385**	376	**–**	–
Impairment loss recognised in profit or loss (Note 7)	**979**	9	**–**	–
Currency translation difference	**(60)**	–	**–**	–
At 31 March	**1,304**	385	**–**	–
Other receivables:				
At 1 April	**464**	–	**19,853**	–
Impairment loss recognised in profit or loss (Note 7)	**34**	464	**5,766**	19,853
At 31 March	**498**	464	**25,619**	19,853

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

20 Trade and other receivables (cont'd)

Other receivable from third party

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

The agreement was terminated in 2018 due to the disposal of the land by Gadius. Gadius repaid all cash advances to date except for the portion of the advance amounting to $829,000 recognised as other receivable which is secured by the Company's shares. This amount was assigned to a former shareholder of Gadius in 2018. As at 31 March 2020, management has estimated the expected credit loss on other receivables by considering the fair value of the collateral shares amounting $331,000 (2019: $365,000). Accordingly, an impairment loss of $34,000 (2019: $464,000) was recognised in profit or loss. The Company is in the midst of recovering the collateral shares through its legal counsel.

21 Cash and cash equivalents

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Bank and cash balances	**1,111**	607	**87**	51
Fixed deposits	**2,684**	2,651	**–**	308
	3,795	3,258	**87**	359

Cash at bank earn interest at floating rates based on daily bank deposit rates.

Fixed deposits are made for varying periods of between one day and three months (2019: one day and three months) depending on the immediate cash requirements of the Group, and earn interests at the respective fixed deposit rates. The interests earned range from 1.15% to 3.30% (2019: 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 $2,717,000 (2019: $2,502,000) (Note 26).

Cash and cash equivalents in the consolidated statement of cash flows:

	Group	
	2020	2019
	$'000	$'000
Cash at bank and in hand and short term-term deposits		
- Continuing operations	**3,795**	3,258
- Discontinued operation (Note 10)	**53**	64
	3,848	3,322
Less: bank overdrafts (Note 26)	**(1,017)**	(1,828)
Less: restricted cash-pledged fixed deposits	**(2,684)**	(2,502)
	147	(1,008)

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

22 Share capital

	Group and Company			
	2020		2019	
	Number of issued shares	Issued share capital	Number of issued shares	Issued share capital
	'000	$'000	'000	$'000
At 1 April	**90,922**	**50,913**	90,922	50,913
Issuance of shares pursuant to PSP	**7,400**	**259**	–	–
At 31 March	**98,322**	**51,172**	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 restriction. The ordinary shares have no par value.

Performance share plan

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

On 17 September 2019, 7,400,000 (2019: Nil) shares are granted under PSP to a former CEO of the Group (Note 20).

23 Treasury shares

	Group and Company			
	2020		2019	
	Number of issued shares	Issued share capital	Number of issued shares	Issued share capital
	'000	$'000	'000	$'000
Balance at beginning and end of financial year	**634,600**	**99**	634,600	99

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

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

24 Other reserves

	Group			Company	
		(Restated)	(Restated)		
	2020	2019	2018	**2020**	2019
	$'000	$'000	$'000	**$'000**	$'000
Foreign currency translation reserve	**(16)**	(228)	(75)	**–**	–
Gain or loss on reissuance of treasury shares	**(504)**	(504)	(504)	**(504)**	(504)
Capital reserve	**2,941**	2,941	57	**–**	–
Deferred equity consideration	**–**	750	750	**–**	–
Others	**2,507**	2,507	2,507	**149**	149
	4,928	5,466	2,735	**(355)**	(355)

(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) 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.

(c) Capital reserve pertains to the followings:

- Revaluation surplus arising from the freehold land and building in May 2011, being transferred to capital reserve for the purpose of issuing bonus share.

- The premium received from non-controlling interest for acquisition of parts of non-controlling interest in subsidiaries, Supratechnic (M) Sdn. Bhd. and Scientific & Industrial Instrumentation Pte. Ltd. on 1 March 2019 amounting to $2,884,000.

(d) Deferred equity consideration

Deferred equity consideration refers to purchase consideration for acquisition of Supratechnic group by share consideration of 15 million number of the Company's shares (1.5 million number of consolidated shares). The deferred consideration was due on 11 March 2019. On 28 March 2019, the Company has made an application to Singapore Exchange Limited ("SGX") for the issuance of 1.5 million consolidated shares to be registered in vendor's name. On 30 October 2019, the Group was ordered by the court to make repayment of $750,000 cash consideration with $50,000 within 7 days of the court order and the remaining balances of $700,000 in six instalments starting from January 2020. Accordingly, the equity component was reclassified to liabilities (Note 29).

(e) Others - equity consideration

This represents the equity consideration paid/payable to the vendors in relation to the acquisition of Supratechnic Pte Ltd in financial year ended 31 March 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

25 Other payables, non-current

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Security deposit	**172**	256	**–**	–

The non-current portion of security deposits were unsecured and carried at amortised costs with an imputed interest rate of 5%.

26 Borrowings

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Non-current:				
Bank loans				
Bank loan I	**166**	303	**–**	–
Bank loan II	**–**	264	**–**	–
Bank loan III	**1,473**	1,623	**–**	–
Bank loan IX	**336**	537	**–**	–
	1,975	2,727	**–**	–
Finance lease liabilities (Note 27)	**–**	141	**–**	–
Lease liabilities	**1,240**	–	**–**	–
	3,215	2,868	**–**	–
Current:				
Bank loans				
Bank loan I	**1,054**	1,054	**–**	–
Bank loan II	**–**	29	**–**	–
Bank loan III	**143**	140	**–**	–
Bank loan IV	**4,395**	4,699	**–**	–
Bank loan V	**–**	2,320	**–**	–
Bank loan VI	**19,050**	20,281	**–**	–
Bank loan VII	**1,447**	1,611	**–**	–
Bank loan VIII	**121**	181	**–**	–
Bank loan IX	**150**	265	**–**	–
	26,360	30,580	**–**	–
Finance lease liabilities (Note 27)	**–**	75	**–**	–
Lease liabilities	**196**	–	**–**	–
Bank overdrafts	**1,017**	1,828	**–**	–
Trade financings	**10,875**	11,235	**–**	–
Loan from shareholder	**1,500**	–	**1,500**	–
Loan from third party	**150**	–	**–**	–
	40,098	43,718	**1,500**	–
	43,313	46,586	**1,500**	–

26 Borrowings (cont'd)

(a) Secured liabilities

Bank loans

Loan I is secured by mortgage over certain leasehold property (Note 12) of Scientific & Industrial Instrumentation Pte. Ltd., personal guarantee by a former director of the Company and corporate guarantee by the Company. The 5-year term-loan is repayable over monthly instalments (comprising principal and interest) with final repayment in 2022. The loan bears floating interest rate ranging from 3.72% to 4.02% (2019: 3.26% to 3.95%) per annum calculated on a monthly rest basis. The loan is denominated in Singapore Dollar.

Loan II is secured by Semangat Hitech Sdn. Bhd. on a first legal charge over its property (Note 12), deed of assignment of rental proceeds and corporate guarantee from Supratechnic (M) Sdn Bhd. The loan bears floating interest rate at 1.25% per annum above the bank's prevailing base lending rate and is repayable by monthly instalments over 15 years with final repayment in Jan 2028. The effective interest rate was 3.80% (2019: 3.93%) per annum. The loan is denominated in British Pound. The loan is fully repaid during the financial year.

Loan III is secured by Supratechnic (M) Sdn Bhd on certain properties of the subsidiaries and a third party, fixed deposits of the subsidiary (Note 21) 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 4.75% (2019: 4.73%) per annum. The loan is denominated in Malaysian Ringgit.

Loan IV is secured by USPI Investment Pte Ltd on mortgage over certain leasehold properties (Note 12), personal guarantee by a former director of the Company, corporate guarantee by the Company, first fixed charge over 100% shares in the share capital of Supratechnic Pte Ltd and USPI Investment Pte Ltd, and a fixed and floating charge over Supratechnic's Pte Ltd's present and future undertakings, property assets, revenues and rights. The 5-year term loan is repayable over 60 monthly instalments (comprising principal and interest) from May 2016 and amortised over 16 years loan profile with final bullet payment at the end of loan maturity date in 2021. The loan bears interest at 2.00% per annum over the applicable 3-month SWAP Offer Rate ("SOR") or 2.00% per annum over the prevailing 3-month Cost of Funds ("COF"), whichever is the higher, or at such other rates as the bank may stipulate from time to time at its absolute discretion. The effective interest rates range from 3.78% to 4.01% (2019: 3.53% to 3.96%) per annum. The loan is denominated in Singapore Dollar.

Loan V is secured by USP Properties Pte. Ltd. on mortgage over the development property (Note 18) and corporate guarantee by the Company. The loan bears interest of 1.65% per annum over the bank's COF or 1.65% per annum over the applicable SOR as determined by the bank whichever is the higher; or at such other rate at the sole discretion of the bank for an interest period of 3 months. Effective interest rate was 3.60% (2019: 3.60%) per annum. The loan is denominated in Singapore Dollar. The loan is fully repaid during the financial year.

Loan VI is secured by USPP Woodlands Pte Ltd on mortgage over certain investment properties (Note 13), legal assignment of rental proceeds or charge over rental account to be executed of all current and future rental income from the investment property, personal guarantee by a former director of the Company, corporate guarantee by the Company, first fixed charge over 100% shares in the share capital of Koon Cheng Development Pte Ltd and fixed and floating charge over Koon Cheng Development Pte Ltd's present and future undertakings, property assets, revenues and rights and a charge over the debt servicing reserve account maintained with the bank with balance of not less than $250,000. The 16-year term loan is repayable over 192 monthly instalments (comprising principal and interest) with final repayment in 2032. The loan bears interest at 2.00% per annum over the applicable 3-month SOR or 2.00% per annum over the prevailing 3-month COF, whichever is the higher, or at such other rates as the bank may stipulate from time to time at its absolute discretion. The effective interest rate was 3.72% (2019: 3.08%) per annum. The loan is denominated in Singapore Dollar. The Group has exchanged the variable swap offer rate with fixed interest rate by entering into interest rate swap agreement with a bank whereby it receives interest at variable swap offer rate and pays interest at a fixed rate at 1.99% per annum. The information of interest rate swap is disclosed in Note 28.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

26 Borrowings (cont'd)

(a) Secured liabilities (cont'd)

Bank loans (cont'd)

Loan VII is secured by mortgage over certain leasehold property (Note 12), personal guarantee by a former director of the Company and corporate guarantee by the Company. The 10-year commercial property loan is repayable over monthly instalments (comprising principal and interest) with final repayment in October 2027. The loan bears interest of 1.50% per annum over the prevailing 3-month Singapore Inter Bank Offer Rate ("SIBOR") or Cost of Funds ("COF") whichever is higher in the first 3 years, thereafter the interest shall be at the bank's commercial financing rate of 5.75% per annum. The effective interest rate was 3.41% (2019: 3.18%) per annum. The loan is denominated in Singapore Dollar.

Loan VIII is secured by mortgage over certain leasehold property (Note 12), personal guarantee by a former director of the Company and corporate guarantee by the Company. The loan bears interest of 1.50% per annum over the prevailing 3-month Singapore Inter Bank Offer Rate ("SIBOR") or Cost of Funds ("COF") whichever is higher in the first 3 years, thereafter the interest shall be at the bank's commercial financing rate of 5.75% per annum. The loan is repayable by monthly instalments over 5 years commenced in 2017. The effective interest rate was 6.25% (2019: 3.18%) per annum. The loan is denominated in Singapore Dollar.

Loan IX is secured by PT Supratechnic Instrumentasi Indonesia and on a first legal charge over a leasehold building of the subsidiary (Note 12) and bears effective interest rate at 10.5% (2019: 9.5%) per annum. The loan is denominated in Indonesian Rupiah.

Bank overdrafts

Bank overdrafts bear interest rates ranging from 1% to 1.25% (2019: 1% 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 former directors of the Company and subsidiaries.

Trade Financings

Trade financings bear interest rates ranging from 2.00% to 6.90% (2019: 2.00% to 6.90%) per annum for the Group and matured approximately within 1 to 3 months (2019: 1 to 3 months) from the end of the reporting period.

Trade financings are secured by:

- certain subsidiaries' leasehold properties;
- joint and several personal guarantees of the former directors of the Company and subsidiaries;
- negative pledge and the legal mortgage of the subsidiaries' freehold and leasehold properties;
- corporate guarantee provided by Company;
- pledged of subsidiaries' fixed deposits (Note 21); and
- deed of assignment of rental proceeds from a subsidiary.

Loan from shareholder

The loan from shareholder is unsecured, bear interest of 4% per annum and repayment on demand. The shareholder has commenced a winding up application against the Company for $1,500,000 (Note 31).

Loan from third party

The loan from third party is unsecured, bear interest of 4% per annum and is repayable in agreed instalments with the final instalment in December 2020.

26 Borrowings (cont'd)

(b) Fair values

The carrying amounts of current borrowings approximate their fair values at the end of the reporting period.

Based on the discounted cash flow analysis using a discount rate based upon market lending rate for similar borrowings which the management expects would be available to the Group at the end of the reporting period, the fair values of the fixed rate borrowings at the end of the reporting period approximate their carrying values as there are no significant changes in the market lending interest rates available to the Group at the end of the reporting period. The floating rate borrowings are instruments that are repriced to market interest rates on or near the end of the reporting period. Accordingly, the fair values of these borrowings, determined from discounted cash flow analysis using market lending rates for similar borrowings which the management expects would be available to the Group at the end of the reporting period, would approximate their carrying amounts at the end of the reporting period. This fair value measurement for disclosure purposes is categorised in the Level 3 of the fair value hierarchy.

(c) Breach of covenant

As at 31 March 2020, certain subsidiaries have breached its loan covenant as the Company, who is the corporate guarantor, did not fulfil the requirement to maintain a minimum consolidated tangible net worth of $30 million (2019: $40 million) and a subsidiary did not fulfil the requirement to maintain a minimum debt service coverage ratio of 1.5 times. As a result, the bank is contractually entitled to request for immediate repayment of the outstanding loan amounts of $25,013,000 (2019: $26,773,000) from continuing operations and of $815,000 (2019: $1,749,000) from discontinued operation in which $24,033,000 (2019: $25,419,000) are due after 12 months from the end of the reporting year. The non-current bank loans of discontinued operation amounted to $51,000 (2019: $721,000) at the end of the reporting year were classified as liabilities of a disposal group held for sale under current liabilities in accordance with the requirement of SFRS (I) 5, Non-current Assets Held for Sale and Discontinued Operations. Consequently, the non-current bank loans of continuing operations amounted to $23,982,000 (2019: $24,698,000) at the end of the reporting year were classified as current liabilities in accordance with the requirement of SFRS (I) 1-1, *Presentation of Financial Statements*.

On 16 December 2020, the subsidiaries obtained waiver on the breach on a one-off basis together with the revision of loan covenant to maintain a minimum consolidated tangible net worth of $25 million at all times.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

26 Borrowings (cont'd)

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank loans $'000	Lease liabilities $'000	Finance lease liabilities $'000	Trade financings $'000	Loan from shareholder $'000	Loan from third party $'000	Total $'000
Group							
2020							
Balance at 1 April 2019	35,055	–	220	11,235	–	–	46,510
Reclassification from finance lease liabilities on adoption of SFRS(I) 16	–	220	(220)	–	–	–	–
On adoption of SFRS(I) 16	–	5,332	–	–	–	–	5,332
Changes from financing cash flows:							
- Proceeds	–	–	–	–	1,500	350	1,850
- Repayments	(5,905)	(399)	–	(360)	–	(200)	(6,864)
- Interest paid	(1,440)	(339)	–	(773)	(19)	(6)	(2,577)
Non-cash changes:							
- Interest expense	1,440	339	–	773	19	6	2,577
New leases	–	114	–	–	–	–	114
Balance at 31 March 2020	**29,150**	**5,267**	**–**	**10,875**	**1,500**	**150**	**46,942**
Represented by:							
- continued operations	28,335	1,436	–	10,875	1,500	150	42,296
- discontinued operation	815	3,831	–	–	–	–	4,646
	29,150	**5,267**	**–**	**10,875**	**1,500**	**150**	**46,492**
2019							
Balance at 1 April 2018	37,408	–	373	8,691	–	–	46,472
Changes from financing cash flows:							
- Proceeds	–	–	–	2,544	–	–	2,544
- Repayments	(2,353)	–	(153)	–	–	–	(2,506)
- Interest paid	(1,435)	–	(25)	(457)	–	–	(1,917)
Non-cash changes:							
- Interest expense	1,435	–	25	457	–	–	1,917
Balance at 31 March 2019	35,055	–	220	11,235	–	–	46,510
Represented by:							
- continued operations	33,307	–	216	11,235	–	–	44,758
- discontinued operation	1,748	–	4	–	–	–	1,752
	35,055	–	220	11,235	–	–	46,510

27 Finance lease liabilities

Finance lease liabilities were reclassified to lease liabilities on 1 April 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2(a).

The Group leases plant and equipment from non-related party under finance lease arrangement for a lease term up to 7 years. The finance lease liabilities of the Group are effectively secured over leased plant and equipment as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities. The net carrying value of plant and equipment acquired under lease arrangements are disclosed in Note 12.

Future minimum lease payments under hire purchase arrangements together with the present value of the minimum lease payments are as follows:

	Group 2019	
	Minimum lease Payments	Present value
	$'000	$'000
Not later than one financial year	90	75
Later than one financial year but not later than five financial years	162	141
Total minimum lease payments	252	
Less: Future finance charges	(36)	–
Present value of finance lease liabilities	216	216
Representing finance lease liabilities:		
Current (Note 26)	75	
Non-current (Note 26)	141	
	216	
Effective interest rates	5.22%	

Based on the discounted cash flows using market interest rates for similar finance lease agreements at the end of the reporting period, the fair values of finance lease liabilities at the end of the reporting period approximated their carrying amounts as the market interest rates at the end of the reporting period were close to the effective interest rates of the Group's existing finance lease liabilities. This fair value measurement for disclosure purposes was categorised in Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

28 Derivative financial instruments

	Group	
	2020	2019
	$'000	$'000
Derivatives with negative fair values:		
- Interest rate swap contracts	**14**	15

The purpose of this contract is to convert floating interest rate of banks borrowing at 3 month swap offer rate +2% per annum (Note 26) to fixed rate at 1.99% per annum. As a matter of principle, the Group does not enter into derivative contract for speculative purposes.

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

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

				Group	
	Principal	**Reference currency**	**Maturity**	**2020 $'000**	2019 $'000
Interest rate swap	$12,000,000	Singapore Dollar	19 May 2020	**14**	15

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

29 Trade and other payables

	Group			Company	
		(Restated)	(Restated)		
	2020	2019	2018	**2020**	2019
	$'000	$'000	$'000	**$'000**	$'000
Trade payables	**1,907**	3,474	2,751	**–**	–
Deposit received	**741**	972	1,537	**–**	–
Deferred consideration	**350**	750	750	**–**	–
Third parties	**480**	814	206	**134**	239
Subsidiaries	**–**	–	–	**1,722**	1,816
Accrued operating expenses	**549**	977	580	**301**	277
Deferred rent payable	**41**	68	639	**–**	–
	4,068	7,055	6,463	**2,157**	2,332

Deferred consideration is part of the purchase consideration for acquisition of Supratechnic group. The deferred consideration comprises cash consideration of $750,000 and share consideration (Note 24(d)).

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand except for a loan from a subsidiary amounting to $1,285,000 (2019: $1,438,000) which bears interest of 5% (2019: 5%) per annum and repayable in March 2019. The loan remains unpaid as at 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

30 Contract liabilities

The Group receives payments from customers based on a billing schedule, as established in contracts. Contract liabilities relate to advance consideration received from customers for future deliveries of inventories. Contract liabilities are recognised as revenue as and when the Group satisfies the performance obligations under its contracts.

There were no significant changes in the contract liability balances during the financial year.

	Group		
	31.3.2020	31.3.2019	1.4.2018
	$'000	$'000	$'000
Trade receivables from contract with customers	**5,085**	7,374	4,782
Contract liabilities	**292**	183	291

31 Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

(i) On 16 March 2020, the Company commenced Originating Summons No. OS317/2020 ("OS317") to set aside the statutory demand issued by Mr Oon Koon Cheng ("Mr Oon") on 25 February 2020. OS317 was subsequently amended on 9 April 2020 to restrain Mr Oon from commencing or continuing winding up proceedings against the Company. A court hearing was held on 14 September 2020 and that OS317 was dismissed by the Court with costs of $9,000 being awarded to Mr Oon.

(ii) On 3 April 2020, Mr Oon Koon Cheng ("Mr Oon") commenced winding up application no. CWU108/2020 ("CWU108") against the Company on the basis that the Company is unable to pay the debts owed to Mr Oon for the sum of S$1.5 million pursuant to a loan agreement. A court hearing was fixed on 9 October 2020 and it was ordered that CWU108 is stayed for the Company to make payment to Mr Oon (1) by way of five (5) monthly instalments of S$300,000 each, plus interest on the debt due up to the date of each instalment; (2) the 1st payment is to be paid by 29 October 2020, and subsequently instalments are to be made by the last day of the month; (3) in the event that Biofuel Research Pte Ltd is sold by the Company, the Company shall pay all outstanding sums, including interest, within 14 days of the completion date; and (4) in the event that the Company defaults in any instalment payment, or to make full payment within 14 days of the completion of the sale of Biofuel Research Pte Ltd, then the stay of winding up proceedings be discharged without further order. As at the date of the financial statements, the Company has made three (3) monthly instalments of $300,000 plus interest. The final instalment will be settled by February 2021.

(iii) On 7 April 2020, the Company, together with its subsidiaries (collectively referred to as "the Group"), commenced High Court suit no. S328/2020 ("S328") against M/s Sin Hong Hwa Pte Ltd, Mr Oon Koon Cheng and Mr Li Hua (collectively referred to as "the Defendants"). S328 was brought by the Group pursuant to a sale and purchase agreement of Koon Cheng Development Pte Ltd dated 18 December 2015 ("SPA") against the Defendants for fraudulent misrepresentations, failure to perform conditions precedent of SPA, and unlawful means conspiracy. The Group sought the following relief against the Defendants: (1) the sum of S$13,677,600; (2) alternatively, damages to be assessed; (3) alternatively, damages for misrepresentation; (4) costs; (5) interest; and (6) such further or other orders as the Court deems fit. S328 has been fixed for court hearings on 9 February 2021 at 2:30pm and 18 February 2021 at 2:30pm.

(iv) On 4 February 2020, Mr Tanoto Sau Ian ("Mr Tanoto") commenced originating summons no. OS144/2020 ("OS144") against the Company and Dr Lim Boh Soon ("Dr Lim"). OS144 was brought by Mr Tanoto for a declaration that the issuance of 7.4 million shares to Dr Lim is in breach of the Rules of the Performance Plan and is therefore invalid. OS144 was discontinued on 25 September 2020 with each party to bear his/its own costs.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

31 Contingent liabilities (cont'd)

Details and estimates of maximum amounts of contingent liabilities are as follows (cont'd):

(vi) On 25 September 2019, Mr Oon Koon Cheng ("Mr Oon") commenced originating summons no. OS1192/2019 ("OS1192") against the Company and Dr Lim Boh Soon ("Dr Lim"). All the issues in OS1192 had been dealt with save for one issue, i.e. a declaration that the grant of award of 7.4 million shares to Dr Lim is in breach of the Rules of the Performance Share Place and is thus invalid. OS1192 was subsequently converted into a writ action in S115/2020 ("S115") on 28 November 2019. Court hearings have been fixed on 19 January 2021 at 2;30pm and 9 February 2021 at 2:30pm. Dr Lim has indicated that he does not wish to contest S115 and High Court Suit No. S116/2020 (particulars of which are set out at (vii) below) and expressed his willingness to return the 7.4 million shares to the Company but reserve his rights to seek legal costs against the Company. As such, at the date of the financial statements, the management is of the view that no material losses will arise from S115.

(vii) On 11 November 2019, the Company commenced originating summons no. OS1408/2019 ("OS1408") against Dr Lim Boh Soon ("Dr Lim"). OS1408 was brought by the Company pursuant to a letter of employment dated 16 September 2019 for a declaration that the issuance of 7.4 million shares to Dr Lim be forfeited. OS1408 was subsequently converted into a writ action in S116/2020 ("S116") on 28 November 2019. A court hearing has been fixed on 9 February 2021 at 2:30pm. Dr Lim has indicated that he does not wish to contest S116 and S115 and expressed his willingness to return the 7.4 million shares to the Company but reserve his rights to seek legal costs against the Company. As such, at the date of the financial statements, the management is of the view that no material losses will arise from S116.

(viii) On 9 June 2020, the Company, together with its subsidiary (collectively referred to as "the Group"), commenced DC Suit No. DC1363/2020 ("DC1363") against Mr Yin Kum Choy ("Mr Yin") and Mr Oon Koon Cheng ("Mr Oon") (collectively referred to as "the Defendants"). The action was brought by the Group against (1) Mr Yin for breach of fiduciary duties; (2) against Mr Oon for dishonest assistance / knowing assistance; and (3) against the Defendants for unlawful means conspiracy. The following reliefs were sought by the Group against the Defendants: (1) an order that Mr Yin has breached his duties to the Group; (2) an aggregate sum of $130,227; (3) legal costs incurred by the Group in relation to OS317 and CWU108; (4) alternatively, damages to be assessed; (5) such other sum as the Court thinks fit; (6) costs; (7) interest; and (8) such further or other orders which the Court deems just and fit. A court hearing has been fixed for DC1363 on 10 March 2021 at 2:30pm.

(ix) On 8 July 2020, Mr Oon Koon Cheng ("Mr Oon") commenced High Court Suit No. S612/2020 ("S612") against the Company, Mr Tanoto Sau Ian ("Mr Tanoto") and Mr Li Hua ("Mr Li"). This action was brought by Mr Oon against the Defendant for conspiracy with the intention to injure Mr Oon's interests. The reliefs sought by Mr Oon are (1) injunctive relief against the Defendants; (2) damages; (3) costs; (4) interests; and (5) such further orders which the Court deems fit and/or just. Mr Oon has obtained an injunction order against the Company on 9 July 2020 against the Company, Mr Tanoto and Mr Li ("the injunction"). S612 has been fixed for court hearings on 15 January 2021 at 2:30pm (to set aside the injunction) and 9 February 2021 at 2:30pm. As at the date of the financial statements, under the advice of the legal counsel, the management is of the view that the probability of success of the Mr Oon's claim against the Company is slim.

(x) On 8 September 2020, the Company commenced High Court Suit No. S855/2020 ("S855") against Mr Yin Kum Choy ("Mr Yin") and M/s TMF Singapore H Pte Ltd ("TMF") (collectively referred to as "the Defendants"). The action was brought by the Company in relation to the Circular issued for the Company's Extraordinary General Meeting on 10 February 2020 ("the Circular"). The following reliefs were sought by the Company against the Defendants: (1) an Order that the Circular was, under the advice of the TMF, in breach of Rule 1206(1) of SGX Mainboard Rules; (2) an Order that Mr Yin has breached his duties to the Company; (3) damages, loss and expenses to be assessed; (4) equitable compensation; (5) interest; (6) costs; and (7) such further or other reliefs which the Court deems fit. A court hearing has been fixed on 26 January 2021 at 9:00am.

32 Financial instruments

a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of reporting period are as follows:

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Financial assets				
Financial assets at amortised costs	**9,169**	11,650	**13,680**	18,485
Financial asset, at fair value through profit or loss	**–**	–	**–**	–
	9,169	11,650	**13,680**	18,485
Financial liabilities				
Financial liabilities at amortised costs	**52,653**	56,928	**3,657**	2,322
Derivative financial instruments at fair value	**14**	15	**–**	–
	52,667	56,943	**3,657**	2,322

b) Financial risk management

The Group and Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from these financial risks on the Group's financial performance. The Group uses derivatives such as interest swap contracts to hedge certain interest rate risk exposures but the Group does not hold derivative financial instruments for trading purposes. The Board reviews and agrees policies for managing risks and they are summarised below.

There have been no changes to the exposures to risk, the objectives, policies and processes for managing the risk and the methods used to measure the risk.

Foreign currency risk

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly United State dollars (USD), Japanese Yen (JPY) and Malaysian Ringgit (MYR).

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

32 Financial instruments (cont'd)

b) Financial risk management (cont'd)

At the end of reporting period, the Group have the following financial assets and financial liabilities denominated in foreign currencies based on information provided to key management:

	USD $'000	JPY $'000	MYR $'000	Total $'000
Group				
2020				
Financial assets				
Cash and cash equivalents	7	10	1	18
Trade and other receivables	566	–	–	566
Total financial assets	573	10	1	584
Financial liabilities				
Trade and other payables	(892)	(403)	(2,070)	(3,365)
Borrowings	(4,998)	(1,201)	–	(6,199)
Total financial liabilities	(5,890)	(1,604)	(2,070)	(9,564)
Net financial liabilities denominated in foreign currencies	**(5,317)**	**(1,594)**	**(2,069)**	**(8,980)**
2019				
Financial assets				
Cash and cash equivalents	8	7	2,291	2,306
Trade and other receivables	18	–	271	289
Total financial assets	26	7	2,562	2,595
Financial liabilities				
Trade and other payables	(2,998)	(502)	(188)	(3,688)
Borrowings	(7,375)	(751)	(3,132)	(11,258)
Total financial liabilities	(10,373)	(1,253)	(3,320)	(14,946)
Net financial liabilities denominated in foreign currencies	(10,347)	(1,246)	(758)	(12,351)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

32 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Foreign currency risk (cont'd)

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

Sensitivity analysis:

	Group	
	2020	2019
	$'000	$'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	**532**	1,034
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against JPY with all other variables held constant would have a favourable effect on pre-tax profit of	**159**	125
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against MYR with all other variables held constant would have a favourable effect on pre-tax profit of	**207**	76

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.

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:

	2020	2019
	$'000	$'000
Financial liabilities		
Fixed rates	**20,807**	21,302
Floating rates	**27,152**	27,036

Sensitivity analysis:		
A hypothetical variation in floating interest rate by 100 basis points with all other variables held constant, would have an increase/decrease in pre-tax loss fo the year by	**272**	270

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

32 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Interest rate risk (cont'd)

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

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group has no significant concentration of credit risk. The Company has no significant concentration of credit risk except for the loans and receivables from subsidiaries as disclosed in Note 20.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses (ECL):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

32 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Significant increase in credit risk (cont'd)

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

32 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Concentration of trade receivable customers as at the end of reporting date are as follows:

	Group	
	2020	2019
	$'000	$'000
Top 1 customer	**321**	417
Top 2 customers	**291**	677
Top 3 customers	**231**	906

The Company has significant credit risk exposures arising on amounts due from subsidiaries (Note 20).

The Group and the Company do not hold any collateral except for other receivable from third party, Gadius. The maximum exposure without taking into account the collateral held is $331,000 (Note 20).

The maximum exposure to credit risk is represented by the carrying amount of each financial assets presented on the statements of financial position and the amount of $36,394,000 (2019: $42,967,000) relating to corporate guarantees given by the Company to banks for the subsidiaries' bank borrowings (Note 26).

32 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Estimation techniques and significant assumptions (cont'd)

Movements in credit loss allowance are as follows:

	Trade receivables $'000	Other financial assets at amortised cost $'000	Total $'000
Group			
Balance at 1 April 2018	376	–	376
Loss allowance measured:			
Lifetime ECL			
- credit-impaired	9	464	473
Balance at 31 March 2019	385	464	849
Loss allowance reversed:			
Lifetime ECL			
- simplified approach	979	–	979
- credit-impaired	–	34	34
- currency translation differences	(60)	–	(60)
	919	34	953
Balance at 31 March 2020	**1,304**	**498**	**1,802**

	Other financial assets at amortised cost 2020 $'000	2019 $'000
Company		
Balance at 1 April	**19,853**	–
Loss allowance measured:		
Lifetime ECL		
- credit-impaired	**5,766**	19,853
Balance at 31 March	**25,619**	19,853

Trade receivables

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions affecting the ability of the customers to settle the receivables.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

32 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Trade receivables (cont'd)

There has been no change in the estimation techniques or significant assumptions made during the current financial year. In view of the current COVID-19 pandemic, the Group has considered the impact of the pandemic on the performance and liquidity of its trade receivables and in particular, whether there are significant decline in the repayment ability of its debtors. There has been no change in the estimation techniques or significant assumptions made during the current financial year, except for reassessments made of the current COVID-19 pandemic effects on the historical default rates of each past due category of its trade receivables.

A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor such as when the debtor has been placed under liquidation, has entered into bankruptcy proceedings, cannot be located or are not recoverable despite legal recourse made to recover the debt, including reminders and letters of demand issued for debts due for more than 12 months.

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 are set out in the provision matrix below:

		Past due				
	Not past due $'000	**Within 3 months $'000**	**3 to 6 months $'000**	**6 to 12 months $'000**	**More than 1 year $'000**	**Total $'000**
2020						
Group						
Marine distributors and dealerships						
Expected loss rate	1.09%	22.11%	30.13%	31.84%	82.82%	
Gross receivables	1,750	918	458	415	978	4,519
Loss allowance	(19)	(203)	(138)	(128)	(810)	(1,298)
Calibration of environmental equipment						
Expected loss rate	0%	3.49%	0%	0%	0%	
Gross receivables	233	172	46	–	–	451
Loss allowance	–	(6)	–	–	–	(6)
Property investments						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	–	115	–	–	–	115
Loss allowance	–	–	–	–	–	–
Recycling of waste oil						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	445	43	–	–	–	488
Loss allowance	–	–	–	–	–	–
Total gross receivables	2,428	1,248	504	415	978	5,573
Total loss allowance	(19)	(209)	(138)	(128)	(810)	(1,304)
Net carrying amount	**2,409**	**1,039**	**366**	**287**	**168**	**4,269**

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

32 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Trade receivables (cont'd)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 are set out in the provision matrix below:

		Past due				
	Not past due $'000	Within 3 months $'000	3 to 6 months $'000	6 to 12 months $'000	More than 1 year $'000	Total $'000
2019						
Group						
Marine distributors and dealerships						
Expected loss rate	0%	0%	0%	0%	48.25%	
Gross receivables	3,498	1,966	451	360	798	7,073
Loss allowance	–	–	–	–	(385)	(385)
Calibration of environmental equipment						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	143	59	14	–	–	216
Loss allowance	–	–	–	–	–	–
Property investments						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	–	84	1	–	–	85
Loss allowance	–	–	–	–	–	–
Recycling of waste oil						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	10	54	–	1	16	81
Loss allowance	–	–	–	–	–	–
Total gross receivables	3,651	2,163	466	361	814	7,455
Total loss allowance	–	–	–	–	(385)	(385)
Net carrying amount	3,651	2,163	466	361	429	7,070

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

32 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Other financial assets at amortised cost

The table below details the credit quality of the Group's and Company's financial assets (other than trade receivables):

	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Group				
2020				
Deposits	N.A. Exposure Limited	396	–	396
Other receivables	Lifetime ECL	1,154	(498)	656
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	3,848	–	3,848
2019				
Deposits	N.A. Exposure Limited	450	–	450
Other receivables	Lifetime ECL	1,272	(464)	808
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	3,322	–	3,322
Company				
2020				
Amounts due from subsidiaries	12-month ECL	13,504	–	13,504
	Lifetime ECL	25,636	(25,619)	17
Deposits	N.A. Exposure Limited	72	–	72
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	87	–	87
2019				
Deposits	N.A. Exposure Limited	60	–	60
Amounts due from subsidiaries	12-month ECL	12,906	–	12,906
	Lifetime ECL	25,013	(19,853)	5,160
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	359	–	359

The credit loss exposure for cash and cash equivalents and deposits are immaterial as at 31 March 2020 and 2019.

32 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Financial guarantee

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The directors do not expect credit loss exposure arising from these guarantees in view of the financial strength of the subsidiaries and that the borrowings were secured by leasehold properties, investment properties and fixed deposits of the subsidiaries.

Liquidity risk

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's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

In managing its liquidity, Management monitors and reviews the Group's and Company's forecasts of liquidity reserves (comprise cash and cash equivalents and undrawn borrowing facilities) on the basis of expected cash flows determined at local level in the respective operating companies of the Group in accordance with limits set by the Group.

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at the end of reporting period based on contractual undiscounted repayment obligations.

	1 year or less $'000	1 to 5 year $'000	Over 5 year $'000	Total $'000
Group				
2020				
Trade and other payables	4,782	199	–	4,981
Borrowings	40,459	2,928	1,322	44,709
Lease liabilities	724	2,531	4,272	7,527
2019				
Trade and other payables	7,275	269	–	7,544
Borrowings	21,483	16,221	16,074	53,778
Company				
2020				
Trade and other payables	2,157	–	–	2,157
Borrowings	1,500	–	–	1,500
Corporate guarantees toc banks*	36,394	–	–	36,394
2019				
Trade and other payables	2,332	–	–	2,332
Corporate guarantees to banks*	42,967	–	–	42,967

* At the end of reporting period, the maximum exposure of the Company in respect of the intra-group corporate guarantees based on facilities drawn down by the subsidiaries is $36,394,000 (2019: $42,967,000). The Company does not consider it probable that a claim will be made against the Company under the intragroup corporate guarantees.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

32 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Liquidity risk (cont'd)

At the end of the reporting period, the Group has undrawn available credit facilities with certain banks of $8,601,000 (2019: $11,398,000).

The table below analyses the Group's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groups based on the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Group Less than 1 year	
	2020	2019
	$'000	$'000
Net settled interest rate swap		
- Net cash outflows	**(14)**	(15)

33 Fair value of assets and liabilities

(a) Fair value hierarchy

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices); and

c) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair value measurements of assets that are measured at fair value

The following table presents the level of fair value hierarchy for each class of assets measured at fair value on the at the end of the reporting period.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Group				
2020				
Non-financial assets				
Investment properties	–	–	28,000	28,000
Financial liabilities				
Derivative financial instruments	–	14	–	14

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

33 Fair value of assets and liabilities (cont'd)

(b) Fair value measurements of assets that are measured at fair value (cont'd)

The following table presents the level of fair value hierarchy for each class of assets measured at fair value on the at the end of the reporting period (cont'd).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Group				
2019				
Non-financial assets				
Investment properties	–	–	31,603	31,603
Financial liabilities				
Derivative financial instruments	–	15	–	15

(c) Determination of fair values

Investment properties

The basis of determining fair values for disclosure at the end of reporting period is disclosed in Note 13.

Derivative financial instruments

The fair value of interest rate swap contract was provided by a reputable financial institution, which was calculated as the present value of the estimated future cash flows based on observable yield curves.

(d) Movements in Level 3 assets measured at fair value

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

	Investment properties	
	2020	2020
	$'000	**$'000**
Group		
Balance at beginning of financial year	**31,603**	35,138
Fair value loss recognised in profit or loss	**(2,000)**	(3,500)
Disposals	**(1,603)**	–
Exchange differences	**–**	(35)
Balance at end of financial year	**28,000**	31,603

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

33 Fair value of assets and liabilities (cont'd)

(e) Valuation process applied by the Group

The senior management of the Group 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, 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. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 fair value measurement guidance to perform the valuation. For valuations performed by external valuation experts, management reviews the appropriateness of the valuation methodologies and assumptions adopted. Management also evaluates the appropriateness and reliability of the inputs used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation is such information are reasonably available.

Significant changes in fair value measurements from period to period are evaluated by 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.

(f) Assets and liabilities not carried at fair value but which fair values are disclosed

The carrying amounts of non-current borrowings approximate their fair values at the end of the reporting period, as the market lending rates at the end of the reporting period were not significantly different from either their respective coupon rates of the agreements or market lending rate at the initial measurement date.

The above does not include financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

34 Related party transactions

(a) In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties during the financial year on terms agreed by the parties concerned:

	2020	2019
	$'000	$'000
With shareholder		
Loan from shareholder	**1,500**	–

34 Related party transactions (cont'd)

(b) Key management personnel compensation

Total key management personnel compensation is analysed as follows:

	Group	
	2020	2019
	$'000	$'000
Salaries, director's fee and other short-term employee benefits	**347**	892
Contributions to defined benefits plans	**31**	95

Included in the above amount are the following items:

	Group	
	2020	2019
	$'000	$'000
Directors' remuneration	**106**	533

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.

35 Segment information

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

For management purposes the Group is organised into the following major strategic operating segments that offer different products and services: (1) property investments, (2) marine distributors and dealerships, (3) calibration of environment equipment 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 property investments segment is a property developer and property investment.

b) The marine distributors and dealerships is a trader of marine equipment and related products.

c) 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.

d) The others segment includes investment holding companies.

The discontinued operations relate to the disposal of the recycling of waste oil segment (see Note 10).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

35 Segment information (cont'd)

The segment information provided to management for the reportable segments are as follows:

2020	Property investments $'000	Marine distributors and dealerships $'000	Calibration of environmental equipment $'000	Others $'000	Continuing operations $'000	Recycling of waste oil (discontinued operation) $'000	Total $'000
Segment revenue							
Sales to external customers	6,945	27,762	2,188	–	36,895	2,408	**39,303**
Segment loss before tax	(602)	(4,541)	358	(2,183)	(6,968)	232	**(6,736)**
Interest income	3	56	–	3	62	3	**65**
Fair value loss on investment properties (Note 5)	(2,000)	–	–	–	(2,000)	–	**(2,000)**
Depreciation of property, plant and equipment (Note 12)	(17)	(960)	(214)	(18)	(1,209)	(1,170)	**(2,379)**
Write down of inventories (Note 7)	–	(141)	–	–	(141)	–	**(141)**
Write off of property, plant and equipment	–	–	–	–	–	(39)	**(30)**
Amortisation of intangible assets (Note 15)	–	(170)	–	–	(170)	–	**(170)**
Bad debt written off (Note 7)	–	(243)	–	–	(243)	(16)	**(259)**
Impairment loss of property, plant and equipment (Note 5)	–	(54)	–	–	(54)	–	**(54)**
Impairment loss of intangible assets (Note 5)	–	(973)	–	–	(973)	–	**(973)**
Impairment loss of trade receivables (Note 7)	–	(974)	(5)	–	(979)	–	**(979)**
Impairment loss of other receivables (Note 7)	(34)	–	–	–	(34)	–	**(34)**
Segment assets	27,687	35,667	2,958	325	66,637	11,667	**78,304**
Unallocated assets							**127**
Total assets							**78,431**
Segment assets includes:							
Capital expenditure on property, plant and equipment and development property	20	145	281	–	446	39	**485**
Segment liabilities	19,988	20,132	1,920	5,917	47,957	5,332	**53,289**
Unallocated liabilities							**1,549**
Total liabilities							**54,838**

35 Segment information (cont'd)

The segment information provided to management for the reportable segments are as follows (cont'd):

2019	Property investments $'000	Marine distributors and dealerships $'000	Calibration of environmental equipment $'000	Others $'000	Continuing operations $'000	Recycling of waste oil (discontinued operation) $'000	Total $'000
Segment revenue							
Sales to external customers	3,634	35,025	2,326	–	40,985	2,129	43,114
Segment loss before tax	(4,216)	(1,891)	(193)	(16,348)	(22,648)	(462)	(23,110)
Interest income	–	84	–	4	88	–	88
Fair value loss on financial assets at fair value through profit or loss (Note 5)	–	–	–	(1,178)	(1,178)	–	(1,178)
Fair value loss on investment properties (Note 5)	(3,500)	–	–	–	(3,500)	–	(3,500)
Depreciation of property, plant and equipment (Note 12)	(15)	(1,245)	(169)	(23)	(1,452)	(1,133)	(2,585)
Write down of inventories (Note 7)	–	(20)	–	–	(20)	–	(20)
Write off of deposits (Note 5)	–	–	–	(4,462)	(4,462)	–	(4,462)
Write off of property, plant and equipment (Note 5)	–	–	–	(9,657)	(9,657)	–	(9,657)
Write down of development properties (Note 5)	(972)	–	–	–	(972)	–	(972)
Amortisation of intangible assets (Note 15)	–	(67)	–	–	(67)	–	(67)
Bad debt written off (Note 7)	–	(30)	–	–	(30)	–	(30)
Impairment loss of properties, plant and equipment (Note 5)	–	(934)	–	–	(934)	–	(934)
Impairment loss of intangible assets (Note 5)	–	–	(164)	–	(164)	–	(164)
Impairment loss of trade receivables (Note 7)	–	(9)	–	–	(9)	–	(9)
Impairment loss of other receivables (Note 7)	(464)	–	–	–	(464)	–	(464)
Segment assets	26,257	50,095	2,254	1,975	80,581	9,036	89,617
Unallocated assets							41
Total assets							89,658
Segment assets includes:							
Capital expenditure on property, plant and equipment and development property	85	485	253	–	823	100	923
Segment liabilities	23,694	22,579	1,626	6,258	54,127	3,067	57,194
Unallocated liabilities							1,942
Total liabilities							59,136

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

35 Segment information (cont'd)

Segment results

Performance of each segment is evaluated based on segment profit or loss which is measured differently from the loss before tax in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than deferred tax assets and tax recoverable which are classified as unallocated assets.

Segment liabilities

The amounts provided to management with respect total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than deferred tax liabilities and income tax payable. These liabilities are classified as unallocated liabilities.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Sales to external customers		Non-current assets	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
China/Hongkong/Indonesia/India	**3,358**	5,260	**972**	1,068
Malaysia	**19,232**	21,315	**4,548**	5,353
Singapore	**14,305**	14,410	**40,502**	42,781
Total continuing operations	**36,895**	40,985	**46,022**	49,202
Discontinued operation	**2,408**	2,129	**10,582**	8,339
	39,303	43,114	**56,604**	57,541

Non-current assets information presented above are non-current assets as presented on the consolidated statement of financial position excluding intangible assets and deferred tax assets.

Information about major customer

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

36 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

36 Capital management (cont'd)

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

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

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.

	Group	
	2020	2019
	$'000	$'000
Net debt:		
All current and non-current borrowings including leases	**43,313**	46,586
Less: Cash and cash equivalents (Note 21)	**(3,795)**	(3,258)
Net debt	**39,518**	43,328
Total equity	**23,593**	30,522
Gearing ratio	**167%**	142%

37 Commitments

(a) Lease commitments - where the Group is a lessee

The Group leases plant, machineries, office premises and land from non-related parties under non-cancellable operating lease agreements. The leases have an average tenure of between two to twenty-two years, varying terms, escalation clauses and renewal options. No restrictions are imposed on dividends or further leasing.

As at 31 March 2019, commitments in relation to non-cancellable operating leases contracted for at the end of reporting period, but not recognised as liabilities, were as follows:

	Group		
	2019		
	Continuing operation	**Discontinued operation**	**Total**
	$'000	**$'000**	**$'000**
Not later than one year	404	538	942
Later than one year but not later than five years	516	2,154	2,670
Later than five years	1,977	3,155	5,132
	2,897	5,847	8,744

As disclosed in Note 2(a), the Group has adopted SFRS(I) 16 on 1 April 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 1 April 2019, except for short term and low value assets leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

37 Commitments (cont'd)

(b) **Lease commitments – where the Group is a lessor**

The Group leases out investment properties to non-related parties under non-cancellable operating lease agreements. The leases have an average lease terms of 1 to 2 years and escalation clause to enable upward revision of the rental charge rate on prevailing market condition.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of reporting period but not recognised as receivables, are as follows:

	Group
	2019
	$'000
Not later than one year	2,448
Later than one year but not later than five years	1,266
	3,714

38 Leases

The Group as a lessee

Nature of the Group's leasing activities

The Group's leasing activities comprise the following:

i) The Group leases various motor vehicles and office premises from non-related parties.

ii) The Group also makes annual lease payments for a leasehold land. The right-of-use of the land is classified as property, plant and equipment (Note 12) and investment properties (Note 13).

iii) In addition, the Group leases certain office equipment with contractual terms of 6 months to five years. These leases are short-term and/or low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The Group has options to purchase certain equipment/motor vehicles for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases. No restrictions are imposed on dividends or further leasing.

The maturity analysis of the lease liabilities is disclosed in Note 32(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

38 Leases (cont'd)

Amounts recognised in Statement of Financial Position

	Group	
	31.3.2020	1.4.2019
	$'000	$'000
Carrying amount of right-of-use assets		
Continuing operations		
Classified within property, plant and equipment		
Leasehold land and properties	9,638	9,958
Motor vehicles	203	179
	9,841	10,137
Discontinued operation		
Classified within property, plant and equipment		
Leasehold land and properties	3,122	3,413
Total (including discontinued operation)		
Classified within property, plant and equipment		
Leasehold land and properties	12,760	13,371
Motor vehicles	203	179
	12,963	13,550
Carrying amount of lease liabilities		
Continuing operations		
Current	196	231
Non-current	1,240	1,323
	1,436	1,554
Discontinued operation		
Current	190	168
Non-current	3,641	3,830
	3,831	3,998
Total (including discontinued operation)		
Current	386	399
Non-current	4,881	5153
	5,267	5,552

Addition of right-of-use assets is $114,000 (Note 12(b)).

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

38 Leases (cont'd)

Amounts recognised in profit or loss

2020	Continuing operations $'000	Discontinued operation $'000	Total $'000
Depreciation charge for the year			
Leasehold land and properties	672	291	963
Motor vehicles	77	–	77
	749	291	1,040
Lease expense not included in the measurement of lease liabilities			
Lease expense - short term leases	100	46	146
Lease expense - low value assets leases	12	9	21
Total (Note 7)	112	55	167
Interest expense on lease liabilities	70	269	339
Total cash flow for leases	416	489	905

As at 31 March 2020, the Group is committed to $36,000 for short-term leases.

The Group as a lessor

Nature of the Group's leasing activities – Group as a lessor

The Group leased out its investment properties to third parties for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from investment properties are disclosed in Note 4.

Subleases - classified as operating leases

The Group lease offices space under a head lease arrangement and subleases the part of the office space to third parties as an intermediate lessor under discontinued operation. The sub-lease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as operating leases.

Income from subleasing recognised during the financial year amounted to $239,000, classified under discontinued operation.

The following table shows the maturity analysis of the undiscounted lease payments to be received:

2020	Continuing operations $'000	Discontinued operation $'000	Total $'000
Less than one year	1,568	174	1,742
1 to 5 years	917	124	1,041
Total undiscounted lease payments	2,485	298	2,783

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

39 Prior year adjustments and comparative figures

The financial statements of Company for the financial year ended 31 March 2019 were audited by another auditor whose report dated 19 September 2019 expressed an unmodified opinion with material uncertainty relating to going concern on the financial statements.

Prior year adjustments/reclassifications have been made to comparative figures as follows:

i) The Group adjusted for the understatement of insurance expenses of $105,000, inventory written down of $20,000 and inventory loss $87,000 for the financial year ended 31 March 2019;

ii) Rectified the deferred equity consideration from trade and other payables of $750,000 to other reserves and reverse the fair value gain on deferred equity consideration of $825,000 which was previously recognised accordingly;

iii) Reclassification between deferred tax liabilities and tax payables to reflect more appropriately the nature of accounts;

iv) Reclassification between trade and payables, other liabilities, liabilities for post-employment benefits and contract liabilities to enhance comparability with current year's financial statements presentation; and

v) Reclassification between cash flow from financing activities to cash flow from operating activities for cash flow decrease in long term security deposits to reflect more appropriately the nature of the cash flows.

The following tables set out the prior year adjustments/reclassifications made to consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows:

2020	As previously reported $'000	Adjustments/ Reclassifications $'000	As restated $'000
Group			
Statement of Comprehensive Income for the financial year ended 31 March 2019			
Administrative expenses	11,511	212	11,723
Loss before tax (continuing operations and discontinued operation)	22,898	212	23,110
Loss for the year	22,970	212	23,182
Basic and diluted loss per share (continuing operations and discontinued operation)	25.12	0.24	25.36
Statement of Financial Position as at 31 March 2019			
Inventories	14,992	(107)	14,885
Trade and other receivables	8,890	(180)	8,710
Trade and other payables	7,444	(389)	7,055
Other liabilities	68	(68)	–
Contract liabilities	–	183	183
Deferred tax liabilities	1,153	39	1,192
Liabilities for post-employment benefits	–	32	32
Income tax payable	573	(9)	564
Other reserves	4,716	750	5,466
Accumulated losses	25,017	825	25,842

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(In Singapore Dollars)

39 Prior year adjustments and comparative figures (cont'd)

The following tables set out the prior year adjustments/reclassifications made to consolidated statement of financial position and consolidated statement of cash flows (cont'd):

2020	As previously reported $'000	Adjustments/ Reclassifications $'000	As restated $'000
Group			
Statement of Financial Position as at 31 March 2018			
Trade and other receivables	12,276	(105)	12,165
Trade and other payables	6,371	92	6,463
Other liabilities	681	(681)	–
Contract liabilities	–	291	291
Liabilities for post-employment benefits	–	56	56
Other reserves	1,985	750	2,735
Accumulated losses	2,173	613	2,786
Consolidated statement of cash flows for the financial year ended 31 March 2019			
Net cash generated from operating activities	1,937	(127)	1,810
Net cash used in financing activities	(2,482)	127	(2,355)

40 Event after the Balance Sheet date

On 19 October 2020, the Group incorporated a 100% owned subsidiary, Theme A Properties Pte. Ltd. in Singapore which provides commercial and industrial real estate management at paid-up capital of $1,000.

On 13 January 2021, the Group incorporated a 100% owned subsidiary, Theme A Investment Holdings Pte Ltd in Singapore which handles the Group's investment projects at paid-up capital of $100,000.

41 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors dated 20 January 2021.

SHAREHOLDERS INFORMATION

As at 5 January 2021

Class of shares	:	Ordinary Shares
Number of shares issued (including Treasury Shares)	:	98,322,003
Number of shares issued (excluding Treasury Shares)	:	97,687,403
Number/Percentage of Treasury Shares)	:	634,600 (0.65%)
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	30	1.49	901	0.00
100 - 1,000	535	26.58	344,138	0.35
1,001 - 10,000	1,131	56.18	4,824,356	4.94
10,001 - 1,000,000	309	15.35	17,873,217	18.30
1,000,001 and above	8	0.40	74,644,791	76.41
	2,013	100.00	97,687,403	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 5 January 2021)

	Direct Interest	%	Deemed Interest	%
TANOTO SAU IAN	22,700,000	23.24	–	–
LEE KING ANNE	9,100,817	9.32	–	–
OON KOON CHENG	26,026,710	26.64	–	–
LIM BOH SOON	7,400,000	7.57	–	–

SHAREHOLDERS INFORMATION

As at 5 January 2021

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Tanoto Sau Ian	22,700,000	23.24
2.	Citibank Nominees Singapore Pte Ltd	13,360,678	13.68
3.	Oon Koon Cheng	12,868,816	13.17
4.	Lee King Anne	9,100,817	9.32
5.	Lim Boh Soon	7,400,000	7.57
6.	Kwek Chng Sun Lionel (Guo Zhengsheng)	4,252,920	4.35
7.	Li Hua	3,738,700	3.83
8.	Maybank Kim Eng Securities Pte. Ltd	1,222,860	1.25
9.	Tan Kay Toh	978,140	1.00
10.	Yap Keng Ann (Ye Jingan)	706,382	0.72
11.	Raphael Tham Wai Mun	625,000	0.64
12.	DBS Nominees Pte Ltd	552,099	0.57
13.	UOB Kay Hian Pte Ltd	463,380	0.47
14.	Joshua Huang Thien En	414,700	0.42
15.	Sim Teck Huat	380,100	0.39
16.	United Overseas Bank Nominees Pte Ltd	366,489	0.38
17.	OCBC Securities Private Ltd	365,986	0.37
18.	Wee Choon Keong	319,400	0.33
19.	Teo Chor Kok	310,000	0.32
20.	Tee Chng Kin @ Teh Chng Kin	301,400	0.31
		80,427,867	82.33

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

33.23% 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 (the "**Meeting**" or "**AGM**") of USP Group Limited (the "**Company**") will be held by way of electronic means on Friday, 5 February 2021, at 3.00 p.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 2020 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Article 88 of the Company's Constitution:

   Mr. Djohan Sutanto **(Resolution 2)**
   Mr. Joseph Tan Chin Aik **(Resolution 3)**
   Mr. Chia Heng Chian **(Resolution 4)**

   - *Mr. Djohan Sutanto will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and Risk Management Committee and Remuneration Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Rules**"). Detailed information of Mr. Djohan Sutanto required pursuant to Rule 720(6) of the Listing Rules can be found in the Annual Report.*

   - *Mr. Joseph Tan Chin Aik will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and Nominating Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Rules. Detailed information of Mr. Joseph Tan Chin Aik required pursuant to Rule 720(6) of the Listing Rules can be found in the Annual Report.*

   - *Mr. Chia Heng Chian will, upon re-election as a Director of the Company, remain as the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Rules. Detailed information of Mr. Chia Heng Chian required pursuant to Rule 720(6) of the Listing Rules can be found in the Annual Report.*

3. To approve the payment of pro-rated Directors' fees of S$20,000 for the financial year ended 31 March 2020. **(Resolution 5)**

4. To approve the payment of Directors' fees of S$220,000 for the financial year ending 31 March 2021, to be paid quarterly in arrears. **(Resolution 6)**

5. To re-appoint Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an AGM.

By Order of the Board

Josephine Toh
Secretary

Singapore
21 January 2021

NOTICE OF
ANNUAL GENERAL MEETING

IMPORTANT NOTICE:

(1) The Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A member of the Company ("**Member**") will not be able to attend the Meeting in person. A Member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such Member wishes to exercise his/her/its voting rights at the Meeting.

(2) A Member who is a relevant intermediary entitled to vote at the Meeting must appoint the Chairman of the Meeting to attend and vote instead of the Member.

"**Relevant intermediary**" means:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

(c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, 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 CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

(3) The Chairman of the Meeting, as proxy, need not be a Member.

(4) The instrument appointing the Chairman of the Meeting as proxy (the "**Proxy Form**") must be deposited at the Company's Share Registrar's office at B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544 or sent by email to general@uspgroup.com.sg, not less than forty eight (48) hours before the time appointed for the Meeting.

PERSONAL DATA PRIVACY:

By (a) submitting an instrument appointing the Chairman of the Meeting as a proxy to vote at the AGM and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with this Notice, or (c) submitting any question prior to the AGM in accordance with this Notice, a Member consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as a proxy for the AGM (including any adjournment thereof);

(ii) the processing of the Pre-registration for purposes of granting access to Members (or their corporate representatives in the case of Members which are legal entities) to observe the AGM proceedings and providing them with any technical assistance where necessary;

(iii) addressing relevant and substantial questions from Members received before the AGM and if necessary, following up with the relevant Members in relation to such questions;

(iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and

(v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

Participation in the AGM of the Company (the "AGM") via "live" webcast or "live" audio feed

1. As the AGM will be held by way of electronic means, Member will **NOT** be able to attend the AGM in person. All Members or their corporate representatives (in the case of Members which are legal entities) will be able to participate in the AGM proceedings by accessing a "live" webcast or listening to a "live" audio feed. To do so, Members are required to pre-register their participation in the AGM ("**Pre-registration**") at this link: https://globalmeeting.bigbangdesign.co/usp ("**AGM Registration and Q&A Link**") by **3.00 p.m. on 3 February 2021** ("**Registration Deadline**") for verification of their status as Members (or the corporate representatives of such Members).

NOTICE OF
ANNUAL GENERAL MEETING

2. Upon successful verification, each such Member or its corporate representative will receive an email by **5.00 p.m. on 4 February 2021**. The email will contain instructions to access the "live" webcast or "live" audio feed of the AGM proceedings. Members or their corporate representatives must not forward the email to other persons who are not Members and who are not entitled to participate in the AGM proceedings. Members or their corporate representatives who have pre-registered by the Registration Deadline in accordance with paragraph 1 above but do not receive an email by **5.00 p.m. on 4 February 2021** may contact the Company for assistance at general@uspgroup.com.sg.

3. Members holding shares through relevant intermediaries (other than CPF or SRS investors) will not be able to pre-register for the "live" webcast or "live" audio feed of the AGM. Such Members who wish to participate in the "live" webcast or "live" audio feed of the AGM should instead approach his/her relevant intermediary as soon as possible in order to make the necessary arrangements.

Voting by proxy

4. Members may only exercise their voting rights at the AGM via proxy voting (see paragraphs 5 to 8 below).

5. Members who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the Meeting as their proxy to do so on their behalf, indicating how the Member wished to vote for or vote against or abstain from voting on each resolution.

6. The duly executed proxy form must be deposited with the Company's Share Registrar's Office at the Company's Share Registrar's office at **B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544** or sent by email to **general@uspgroup.com.sg**, not less than forty-eight (48) hours before the time appointed for the holding of the AGM.

7. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by **3.00 p.m. on 27 January 2021**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by the cut-off date.

8. Please note that Members will not be able to vote through the "live" webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.

Submission of questions prior to the AGM

9. Members may submit questions related to the resolutions to be tabled at the AGM during Pre-registration via the AGM Registration and Q&A Link so that they may be addressed before or during the AGM proceedings. All questions must be submitted by **3.00 p.m**. on 3 February 2021.

10. The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) received in advance of the AGM either before or during the AGM. The Company will publish the minutes of the AGM on SGXNET and the Company's website within one (1) month after the date of AGM.

11. Please note that Members will not be able to ask questions at the AGM "live" during the webcast and the audio feed, and therefore it is important for Members to pre-register their participation in order to be able to submit their questions in advance of the AGM.

Important reminder

12. Due to the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Members are advised to regularly check the Company' website or announcements released on SGXNET for updates on the AGM. Further, in light of the current COVID-19 measures, which may make it difficult for Members to submit completed proxy forms by post, Members are strongly encouraged to submit completed proxy forms electronically via email.

USP GROUP LIMITED
(Registration No. 200409104W)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING
PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. A member will not be able to attend the Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the Chairman of the Meeting as proxy as his/her/its behalf to attend, speak and vote on his/her/its behalf at the Meeting.
2. A relevant intermediary must appoint the Chairman of the Meeting to attend and vote at the Meeting (please see Note 2 for the definition of "**relevant intermediary**").
3. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment of the Chairman of the Meeting as proxy.
4. **PLEASE READ THE NOTES TO THE PROXY FORM**.

Personal data privacy
By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 21 January 2021.

I/We, ______________________________ (Name)

______________________________ (NRIC / Passport No./ Co Reg No.)

of ______________________________ (Address)

being *a member/members of **USP GROUP LIMITED** (the "**Company**"), hereby appoint the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held by way of electronic means on Friday, 5 February 2021 at 3.00 p.m. and at any adjournment thereof.

*I/We direct *my/our proxy to vote for, against or abstain from voting the Resolutions proposed at the Meeting as indicated hereunder. **If no specific direction as to voting is given or in the event of any other matters arising at the Meeting and at any adjournment thereof, the appointment of the Chairman of the Meeting as *my/our proxy will be treated as invalid.**

No.	Resolutions relating to:	For(1)	Against(1)	Abstain(1)
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 March 2020			
2	Re-election of Mr. Djohan Sutanto as a Director			
3	Re-election of Mr. Joseph Tan Chin Aik as a Director			
4	Re-election of Mr. Chia Heng Chian as a Director			
5	Approval of pro-rated Directors' fees amounting to S$20,000 for the financial year ended 31 March 2020			
6	Approval of Directors' fees amounting to S$220,000 for the financial year ending 31 March 2021, to be paid quarterly in arrears			
7	Re-appointment of Baker Tilly TFW LLP			

(1) If you wish to abstain or exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ________________ 2021

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable
IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. The Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A member of the Company ("**Member**") will not be able to attend the Meeting in person and must appoint the Chairman of the Meeting to attend, speak and vote on his/her/its behalf at the Meeting.

2. A Member who is a relevant intermediary entitled to attend and vote at the Meeting must appoint the Chairman of the Meeting to attend and vote instead of the Member.

   "**Relevant intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, 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 CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 3:00 p.m. on 27 January 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by the cut-off date.

4. The Chairman of the Meeting, as proxy, need not be a Member.

5. The instrument appointing the Chairman of the Meeting as proxy (the "**Proxy Form**") must be deposited at the Company's Share Registrar's office at B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544 or sent by email to general@uspgroup.com.sg, not less than forty-eight (48) hours before the time appointed for the Meeting.

6. A Member should insert the total number of shares held. If the Member has shares entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of shares. If the Member has shares registered in his/her name in the Register of Members, he/she should insert that number of shares. If the Member has shares entered against his/her name in the said Depository Register and registered in his/her name in the Register of Members, he/she should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the Member.

7. If the Member is shown to not have any shares entered against his name as at forty-eight (48) hours before the time fixed for the Meeting, the Proxy Form will be rejected.

8. The Proxy Form must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

9. Where a Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must (failing previous registration with the Company) be lodged with the Proxy Form; failing which the instrument may be treated as invalid.

10. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the Member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by CDP to the Company.

11. All Members will be bound by the outcome of the Meeting regardless of whether they have attended or voted at the Meeting.

12. Personal data privacy: By submitting an instrument appointing the Chairman of the Meeting as a proxy to vote at the Meeting and/or any adjournment thereof, all Members accept and agree to the personal data privacy terms set out in the Notice of Annual General Meeting dated 21 January 2021.

USP Group Limited

USP Group Limited
(Company Registration Number: 200409104W)

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