USP Group Limited

SUSTAINING **MOMENTUM**
ACHIEVING **GROWTH**

Annual Report 2017

CONTENTS

ABOUT
USP

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

The current management 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 over 200 staff and net assets of over S$54.1 million across 6 countries. Headquartered in Singapore, its business areas in 2016 include marine trading, oil-blending, and property development.

CORPORATE
MILESTONE

2017

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

2016

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

2015

- 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 Biofuel Research Pte Ltd.
- Purchase of residential property in Blandford Drive.
- Invested in 90% of Cluny Home Development Pte Ltd.

2013

- Completed the restructuring exercise of divesting the 100% equity interest of its two loss making 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,

On behalf of the Board ("the Board") of USP Group Limited (the "Company" and together with it subsidiaries, the "Group"), I am pleased to present the Annual Report and financial results of the Group for the financial year ended 31 March 2017 ("FY2017").

This year has been exciting year for the Group, being the first year with full year contributions from the two major acquisitions completed in 2016. The successful integration of these new businesses into the Group's operations have provided the Group with a sustainable stream of revenue, profits and cashflow.

OVERALL FINANCIAL PERFORMANCE REVIEW

The Group's revenue increased from S$6.8 million to S$36.7 million (i.e. an increase of 439% from the previous period), mainly due to full year contributions from the Marine and Property Development businesses. Marine business was the Group's key contributor, representing 81% of the total revenue of S$36.7 million.

EBITDA excluding exceptional item of the Group was S$3.0 million, with Net Loss after Tax of S$5.7 million. The loss was partly attributable to a one-off impairment charge of the Group's investment of 49% stake in SG Support Services Pte Ltd of S$2.8 million.

Excluding the one-off items in FY2016 where the Group benefited from $17.3 million in one-off gains from bargain purchases, and one-off items in FY2017 where the Group suffered the write-off of SG Support Services Pte Ltd, the Group's operational performance improved from a negative EBITDA of $10.8 million in FY2016 to a positive EBITDA of $3.0 million in FY2017.

Net assets of the Group decreased from S$59 million to S$54 million mainly as a result of the write-off of the SGSS investment. Accordingly, the net asset per share was at S$0.56 per share (based on the outstanding number of shares on 31 March 2017). Current borrowings is increased to finance the working capital requirements of the Marine segment, while showing a decrease in long term borrowings mainly used to finance acquisitions in 2016 and the consolidation of borrowings of the acquired companies.

LOOKING TOWARDS THE FUTURE

Oil-blending business

Revenue generated from the oil business decreased by over 50% due to the cessation in trading activities but mitigated by an increase of 50% in Biofuel's year-on-year revenue. Biofuel's increase is partly due to its improved work processes allowing increased output from the treatment of oil sludge, and also partly due to the recovery of oil prices as compared to the previous year. This resulted in a net operating profit for oil business as a whole of S$1.9 million.

Despite this, Biofuel's growth limited by the amount of feedstock supplied by the Public Utilities Board ("PUB") used to derive its biofuels and related products. Coupled with the current oil prices of approximately US$50 per barrel, the Group has decided to continue to hold back on its plans to expand the oil blending business.

Property Development business

The Group enjoys a steady rental income from its industrial property in Woodlands under Koon Cheng Development, one of subsidiaries acquired in 2016. Koon Cheng Development holds three commercial buildings with a gross floor area of 92,359 square feet and one workers' dormitory. Almost all of the units and the rooms in the dormitory are rented out. The Group intends to develop and expand these properties in order to increase the gross floor area. The increased space will be used/leased as workshops, offices, warehouses, or dormitories. The Group has successfully applied for the increased in Gross Plot Ratio to 2.5 from the current 1.0 and is now in the process of applying to convert the two commercial buildings to strata titles.

The Group has also entered 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. The two bungalows are planned to have a gross floor area of 7,696 square feet and are expected to sell for between S$3.6M to S$4.0M each, based on market valuation.

With regards to the Group's residential property development at Blandford Drive, the construction of the structure has been completed, with minor finishing works scheduled. The Company has been in discussions with potential buyers for the property and working to obtain the Temporary Occupation Permit by end September.

The Group is currently reviewing other potential property projects and will update the shareholders when appropriate.

Marine business

TThe Marine business, consisting of the Supratechnic Group and its subsidiaries, is involved in the regional wholesale and trading of marine equipment and machinery. Supratechnic is the exclusive distributor for Mercury Marine products in Singapore, Malaysia, and Indonesia, and has expanded its operations to 14 locations across the region.

Effective from 1 January 2017, Supratechnic switched its exclusive distributorship from Yamaha Motors, covering the Singapore and West Malaysia markets, to Mercury Marine, covering the Singapore, Malaysia (both East and West), and Indonesia markets. Compared to a previous market size of approximately 6,500 out-board motors per year, the market size has grown to approximately 34,000 out-board motors per year for Supratechnic with the inclusion of East Malaysia and Indonesia.

The Group foresees that margins in the initial period of transition may be lower due to the introductory and promotional pricing of Mercury Marine products to gain market share and raise brand/product awareness. That being said, the take-up of Mercury out-board motors has been promising and the expansion into Supratechnic's new markets in East Malaysia and Indonesia has gained traction. The current markets, Singapore and West Malaysia, have also showed strong customer conversion and a good pipeline moving forward. Barring unforeseen circumstances, the Group expects growth in the revenue of the Marine segment for FY2018 as the base of Mercury out-board motors increases in the future.

The Group has also implemented expansion in the Supratechnic distribution network to take advantage of the wider distribution rights for Mercury Marine products. To date, Supratechnic has opened additional offices in Kota Kinabalu, Kuching, Batam, and Bali, and is gaining market acceptance in these new markets. Supratechnic has also successfully bid for a plot of JTC land located in 16 Joo Koon Circle, and has plans to redevelop it together with the existing property at 16A Joo Koon Circle. Going forward, Supratechnic will continue to rapidly expand its business operations in Asia opening more branches in new locations.

In addition, the Group is in preliminary discussions to explore the spin-off listing of the Supratechnic on the Growth Enterprise Market ("GEM"), an alternative stock market set up and operated by the Hong Kong Stock Exchange. The Proposed Listing is part of the Group's efforts to maximise and increase shareholder value.

Lastly, the Group is in a good position with contributions coming in for each of the business areas. The Group still has existing investments which it will need to review including but notwithstanding, its interest in Huan Hsin Holdings Limited, its investment in Scientific and Industrial Instrumentation Pte Ltd (which the Group inherited through the acquisition of Supratechnic Pte Ltd last year). Some of these investments are expected to be recoverable and even profitable. The Group will continue to look for strategic acquisitions to build breadth and depth in the business, as well as focus on organic growth of the current business operations.

On a separate note, the Group was placed in the Minimal Trading Price (MTP) watchlist on 1 June 2017 by the Singapore Exchange. Under the conditions, the Company may be removed from the watch-list if it records volume-weighted average price of at least S$0.20 and an average daily market capitalisation of S$40 million or more over the last 6 months.

The Group is evaluating its options and will update the shareholders accordingly.

APPRECIATION

In closing, the Group has transformed significantly over the last four years, and I would like to thank the shareholders for their patience. I would also like to express my appreciation to my fellow Directors, the management team and all our employees for their dedication and commitments to the Group and to our valued customers and our business partners for their invaluable support.

LI HUA
Executive Chairman and CEO

BOARD OF DIRECTORS

MR. LI HUA
Executive Chairman and Chief Executive Officer

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

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

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

MS. NAH EE LING
Executive Director / Chief Financial Officer

Ms. Nah was appointed as the Chief Financial Officer of the Company on 31 Dec 2014. She is responsible for the accounts and financial matters of the Group and all its subsidiaries and the review of operations of all departments to ensure effective system procedures are in place.

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

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

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

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

Mdm Weng is the PhD Supervisor of the East China University of Science and Technology since 2006. She is also the General Manager of Petroleum Refining Research Institute since 2006. From 1961 to 2006, Ms Weng was a Professor / Lecturer / Researcher / Vice-President of East China University of Science and Technology.

MR. YIP MUN FOONG JAMES
Lead Independent Director

Mr Yip is the Group's Lead Independent Director and was appointed to the Board on 29 July 2013, and last re-elected on 31 March 2014.

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

Mr. Yip holds a post-graduate diploma in management studies from the Graduate School of Business, University of Chicago and a post-graduate diploma in financial management from the Stern School of Business Administration, New York University. He is also a pioneer recipient of the executive diploma in directorship jointly awarded by the Singapore Institute of Directors and the Singapore Management University. Mr. Yip currently sits on the board of China Essence Group listed on the mainboard of the Singapore Exchange as an independent director. He was also an Independent Director of Auhua Clean Energy PLC, which was previously listed on the Alternative Investment Market (AIM) in London.

MR GOH CHONG THENG

Independent Director

Mr Goh Chong Theng was appointed as Independent Director on 12 August 2017. He is currently corporate finance director at PT Central Cipta Murdaya.

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

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

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

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

CORPORATE INFORMATION

DIRECTORS
Mr Li Hua *(Executive Chairman and Chief Executive Officer)*
Mr Tham Wai Mun Raphael *(Executive Director) (resigned on 19 July 2017)*
Ms Nah Ee Ling *(Executive Director) (appointed on 19 July 2017)*
Mr Yip Mun Foong James *(Lead Independent Director)*
Mr Goh Chong Theng *(Independent Director) (appointed on 12 August 2017)*
Ms Weng Huixin *(Non-Executive Director and Non-Independent Director)*
Mr Ngan See Juan (Independent Director) (resigned on 7 July 2017)

AUDIT AND RISK COMMITTEE
Goh Chong Theng *(Chairman)*
Yip Mun Foong James *(Member)*
Weng Huixin *(Member)*

NOMINATING COMMITTEE
Yip Mun Foong James *(Chairman)*
Goh Chong Theng *(Member)*
Li Hua *(Member)*

REMUNERATION COMMITTEE
Yip Mun Foong James *(Chairman)*
Goh Chong Theng *(Member)*
Weng Huixin *(Member)*

COMPANY SECRETARIES
Ms Chiang Wai Ming
Mr Yoo Loo Ping

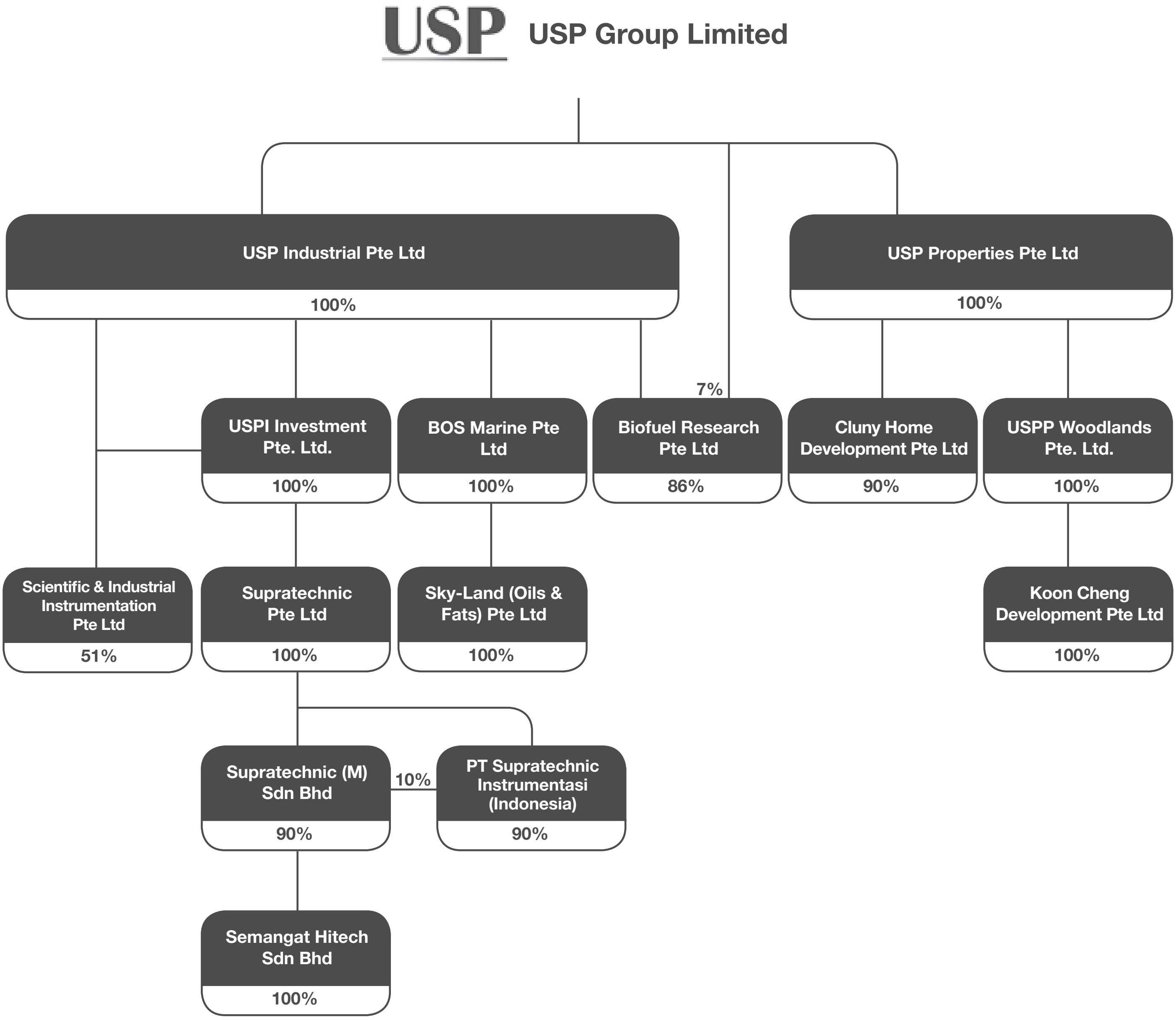
REGISTERED OFFICE
38 Beach Road #29-11
South Beach Tower
Singapore 189767
Telephone: (65) 6534 3533
Email address: enquiries@uspgroup.com.sg
Website address: http://www.uspgroup.com.sg

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

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

PRINCIPAL BANKERS
United Overseas Bank Limited
Malayan Banking Berhad

CORPORATE STRUCTURE



REPORT ON
CORPORATE GOVERNANCE

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

The Group recognizes 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 2017 ("FY2017"), with reference to the Code. The Board confirms that it has generally adhered to the principles and guidelines of the Code where they are applicable, relevant and practicable to the Group. Any deviations from the guidelines of the Code or areas of non-compliance have been explained accordingly.

1. BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

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

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

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

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

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

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

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

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

Details of Board and Board Committee Meetings held during FY2017 and the attendance of each Director are summarised in the table below:

	Board	ARMC	NC	RC
Number of Meetings	**4**	**4**	**1**	**1**
Li Hua	4	4*	1	1*
Raphael Tham Wai Mun#	4	4*	1*	1*
Yip Mun Foong James	4	4	1	1
Ngan See Juan##	4	4	1	1
Weng Huixin	2	2	-	0

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

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

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

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

As of the date of this Report, the following new Directors were appointed:

Name	**Designation**	**Effective Date**
Nah Ee Ling	Executive Director	19 July 2017
Goh Chong Theng	Independent Director	12 August 2017

BOARD COMPOSITION AND GUIDANCE

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

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

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

The Code provides that where the Chairman is *inter alia*, part of the Management team or is not an Independent Director, the Independent Directors should make up at least half of the Board. The Company is currently sourcing for a suitable candidate to be appointed as Independent Director to the Board in order to comply with guideline 2.2 of the Code.

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

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

The profiles of the Directors are set out on pages 4 and 5 of this Annual Report.

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

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

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

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

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

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

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

BOARD MEMBERSHIP

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

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

(a) Yip Mun Foong James (Chairman)
(b) Goh Chong Theng
(c) Li Hua

The principal functions of the NC are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

The NC meets at least once a year.

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

The NC recommended to the Board that Mr Yip Mun Foong James (retiring pursuant to Regulation 89 of the Company's Constitution), Ms Nah Ee Ling (retiring pursuant to Regulation 88 of the Company's Constitution) and Mr Goh Chong Theng (retiring pursuant to Regulation 88 of the Company's Constitution) be nominated for re-election at the forthcoming AGM.

In making the recommendation for Mr Yip Mun Foong James's nomination, the NC had given regard to the results of the Board assessment in respect of his competencies in fulfilling his responsibilities to the Board as well as his attendance and participation at the Board and Board Committee meetings.

The Board has accepted the NC's recommendation on the re-election of Ms Nah Ee Ling and Mr Goh Chong Theng who were appointed on 19 July 2017 and 12 August 2017 respectively and subjected to re-election at the forthcoming AGM pursuant to Regulation 88 of the Company's Constitution.

Each member of the NC shall abstain from voting on any resolutions and/or participating in deliberations in respect of his re-election as Director. Accordingly, Mr Yip Mun Foong James and Mr Goh Chong Theng have abstained from the deliberation and decision on their own re-election.

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

The NC has reviewed the independence of the Board members and has determined that Mr Yip Mun Foong James and Mr Goh Chong Theng are independent and free from any of the relationships outlined in the Code. None of the Independent Directors on the Board are related and do not have any relationships with the Company or its related companies or its officers who could interfere or to be reasonably perceived to interfere with the exercise of their independent judgments. Madam Weng Huixin is considered a Non-Independent Director in view of her association with Precious Stream

Holdings Limited, a substantial shareholder of the Company.

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

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

There is no alternate Director on the Board.

BOARD PERFORMANCE

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

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

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

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

For FY2017, the NC is generally satisfied with the Board evaluation results, which indicated areas for improvement with no significant problems being identified. The NC has discussed these results with the Board and the Board has agreed to work on these areas for improvement. The NC will continue to review its procedure and effectiveness from time to time.

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

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

ACCESS TO INFORMATION

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

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

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

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

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

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

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

2. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

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

(a) Yip Mun Foong James (Chairman)
(b) Goh Chong Theng
(c) Weng Huixin

The RC meets at least once annually.

The principal functions of the RC are as follows:

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

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

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

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

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

The RC had recommended to the Board an amount of S$200,000 as Directors' fees for the financial year ending 31 March 2018, payable quarterly in arrears.

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

LEVEL AND MIX OF REMUNERATION

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

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

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

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

DISCLOSURE ON REMUNERATION

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

Directors

Guideline 9.2 of the Code recommends companies to fully disclose the name and remuneration of each Director and the CEO, the Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of their remuneration due to the competitiveness of the industry for key talent. As such, the Board has deviated from complying with the above recommendation and has provided below a breakdown showing the level and mix of remuneration of each Director in bands of S$250,000 for FY2017 :-

Remuneration Bands and Name of Director	Fees %	Salary %	Bonus %	Other benefits %	Total %
S$250,000 to below S$500,000					
Li Hua	-	85	-	15	100
Raphael Tham Wai Mun#	-	85	-	15	100
Below S$250,000					
Yip Mun Foong James	100	-	-	-	100
Ngan See Juan##	100	-	-	-	100
Weng Huixin	100	-	-	-	100

Resigned on 19 July 2017
Resigned on 7 July 2017

Key Management Personnel

Notwithstanding Guideline 9.1 of the Code, there was only 1 key management personnel during FY2017. The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the key management personnel due to competitiveness of the industry for key talent. As such, the Board has deviated from complying with the recommendation. The Board only partially complies with the recommendation by providing below a breakdown showing the level and mix of remuneration of the key management personnel in bands of S$250,000 for FY2017 :-

Remuneration Band and Name of Key Management Personnel	Designation	Salary %	Bonus %	Other benefits %	Total %
Below S$250,000					
Nah Ee Ling#	CFO	80	-	20	100

#Appointed as Executive Director on 19 July 2017.

There were no post-employment benefits granted to the Directors and key management personnel.

There were no employees of the Group who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during FY2017.

Performance Share Plan ("PSP")

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

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

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

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

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

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

There were PSP granted during FY2017. Details of PSP can be found on Page 24 under the Directors' Statement of this Annual Report.

3. ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Management has yet to appoint an Internal Auditor as of the date of this report but intends to do so in the FYE March 2018. The role of the internal and external Auditors together with Management, is to assist the AC in its review of the adequacy of the internal controls, through regular evaluation of the Group's internal controls, financial and accounting policies and risk management policies and procedures.

The Board is currently assisted by the ARMC in providing risk management oversight while the ownership of day-to-day management and monitoring of existing internal controls system are delegated to Management.

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

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

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

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

The Group's external auditors have, in the course of their statutory audit, carried out a review of the Group's material internal control relevant to financial reporting in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Material non-compliance and internal control weaknesses noted during their audit and the auditors' recommendations are reported to ARMC.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

(a) Goh Chong Theng# (Chairman)
(b) Yip Mun Foong James
(c) Weng Huixin

Appointed on 12 August 2017

Mr Ngan See Juan was the Chairman of the ARMC from 29 July 2013 to 7 July 2017 while Mr Yip Mun Foong James was the Interim Chairman of the ARMC from 7 July 2017 to 11 August 2017.

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

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

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

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

The Group has put in place a Whistle-Blowing Programme whereby staff and members of the public may in confidence, raise their concerns about possible improprieties in matters of financial reporting or other matters. The objective of the Programme is to ensure that process is in place, for the independent investigation of such concerns and for appropriate follow-up actions to be taken. There were no reports of whistle blowing received during FY2017.

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

For FY2017, the ARMC has:

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

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

(iii) reviewed and approved the financial statements of the Group and the Company. During the process, the ARMC reviewed the key areas of critical judgements and key estimates applied for key financial issues including business combination, property, plant and equipment – impairment allowance and impairment of non-current assets, critical accounting policies and any other significant matters that might affect the disclosures in the financial statements. The ARMC also considered the report from the external auditors, including their findings on the significant risks and audit focus areas. Significant matters that were discussed with Management and the external auditors have been included as Key Audit Matters ("KAMs") in the audit report for the financial year ended 31 March 2017 in pages 28 to 32 of this Annual Report.

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

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

(v) reviewed the interested person transactions.

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

(vii) conducted a review of the non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors as well as the cost effectiveness of the audit before confirming their re-nomination. The following fees were approved by the ARMC:

Audit fees	SGD137,000
Non-Audit fees	SGD7,000

The external auditors had also confirmed their independence in this respect.

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

(ix) confirmed that the Company had complied with Rules 712 and 715 of the SGX-ST Listing Manual. The ARMC was satisfied that the resources and experience of RSM Chio Lim LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority, the audit engagement partner and the 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 financial statements of the Company and its subsidiaries are audited by RSM Chio Lim LLP except for those as disclosed in Note 16 of the Notes to the Financial Statements. The Group's subsidiaries are disclosed under Note 16 of the Notes to the Financial Statements on page 70 of this Annual Report.

INTERNAL AUDIT

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

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

During FY2017 the ARMC enquired and relied on reports from Management on any material non-compliance and internal control weakness. Timely and proper implementation of all required corrective, preventative or improvement measures is closely monitored.

Based on various controls put in place and maintained by the Management the various Board Commitees, the Board, with the concurrence of the ARMC, is of the view that there are adequate and effective internal controls of the Group including financial, operational, compliance controls were adequate and effective as at 31 March 2017.

4. SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

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

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

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

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

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

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

- SGXNet announcements on major developments of the Group;
- Financial statements containing a summary of the financial information and affairs of the Group for the relevant quarters and full year via SGXNet;
- Annual reports and circulars that are issued to all shareholders;

- Notices and explanatory notes for general meetings;
- Shareholders can access information on the Group's website www.uspgroup.com.sg. The website provides, *inter alia*, all publicly disclosed financial information, corporate announcements, annual reports, and profile of the Group.

The Group does not see the need for analyst briefings, investor roadshows or Investors' Day briefings currently and will review such need when appropriate.

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

Dividend

The Group does not have any 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 FY2017, the Directors do not recommend payment of dividends due to the need to conserve cash for the Group's working capital and operational use.

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

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

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

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

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

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast and against each resolution and the respective percentages for general meetings.

5. SECURITIES TRANSACTIONS

The Group has adopted an internal compliance code of conduct to provide guidance to its officers regarding dealings in the Company's securities and implication of Insider Trading in compliance with

Rule 1207(19) of the SGX-ST Listing Manual.

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

The Group confirmed that it has adhered to its policy for securities transactions for FY2017.

6. INTERESTED PERSON TRANSACTIONS

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

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

During FY2017, there were no IPTs entered into by the Company.

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

7. MATERIAL CONTRACTS

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

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 March 2017.

1. Opinion of the directors

In the opinion of the directors,

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

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

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

2. Directors

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

Li Hua
Yip Mun Foong James
Weng Huixin
Nah Ee Ling (appointed on 19 July 2017)
Goh Chong Theng (appointed on 12 August 2017)

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year had no interests in shares in or debentures of the company as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act") except as follows:

	Direct interest		Deemed interest	
Name of directors and company in which interests are held	At beginning of the reporting year	At end of the reporting year	At beginning of the reporting year	At end of the reporting year
The company				
Li Hua	2,278,300	3,225,880	–	–
Tham Wai Mun Raphael (resigned on 19 July 2017)	–	947,580	–	–
Weng Huixin	–	–	15,066,833	19,966,833

By virtue of section 7 of the Act, the above directors are deemed to have an interest in the company and all related body corporates of the company.

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

On 11 April 2016, the company completed a share consolidation of every ten (10) ordinary shares into one (1) consolidated share. The numbers of shares at beginning of the year have been restated to reflect the share consolidation.

On 21 April 2017, Li Hua and Raphael Tham Wai Mun held direct shareholding interests in the Company of 3,738,700 and 1,460,400 shares respectively.

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

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

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

5. Options

Share options

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

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

Performance Share Plan

The Performance Share Plan (the "PSP") is administered by the remuneration committee ("RC") comprising three independent directors, Mr Yip Mun Foong James (Chairman), Mr Goh Cheng Theng and Ms Weng Huixin.

The PSP was approved by members of the company at an extraordinary general meeting held on 27 February 2015. It was established to increase the company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees 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.

5. Options (cont'd)

Performance Share Plan (cont'd)

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.

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.

5. Options (cont'd)

Performance Share Plan (cont'd)

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 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 2017, details of share awards granted to the directors of the company are as follows:

Directors	Shares award granted during the financial year	Aggregate shares granted since commencement of the share award to the end of financial year	Aggregate shares exercised since commencement of the share award to the end of financial year	Aggregate shares award outstanding as at the end of financial year
Raphael Tham Wai Mun (resigned on 19 July 2017) [(a)]	512,820	835,400	(322,580)	512,820
Li Hua[(a)]	512,820	835,400	(322,580)	512,820

(a) The performance shares will vest on 20 April 2017

6. Independent auditor

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

7. Audit and risk management committee

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

Goh Chong Theng - Chairman
Yip Mun Foong James
Weng Huixin
Ngan See Juan (Resigned on 7 July 2017)

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

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, their audit report and their management letter and management's response. To do so, the ARMC meets regularly with the group's external auditor and its executive management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the group.

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

The ARMC has met with the external auditor once separately, without the presence of the Management.

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

On behalf of the directors

…………………………………
Li Hua
Director

……………………………
Nah Ee Ling
Director

14 September 2017

INDEPENDENT AUDITOR'S REPORT

Year ended 31 March 2017

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

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of USP Group Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 March 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements for the reporting year ended 31 March 2016 were audited by other independent auditor whose report dated 13 September 2016 expressed an unqualified opinion on those financial statements.

Key audit matters

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

Key audit matters (cont'd)

Business acquisitions

Refer to Note 1 *Basis of preparation,* Note 2A *Subsidiaries* and *Business combinations* for relevant accounting policies and Note 16B *Acquisitions of subsidiaries*.

During the financial year ended 31 March 2016, the group acquired 100% equity interest in Supratechnic Pte Ltd and its subsidiaries ("Supratechnic") and Koon Cheng Development Pte Ltd ("Koon Cheng") on 11 March 2016 and 19 February 2016 respectively. These acquisitions were effected primarily by transferring cash or other assets, or incurring liabilities, in exchange of equity interests.

Such transactions could be complex and judgement is required in determining if these acquisitions resulted in the group obtaining control over the investees. There were some inherent uncertainties in the determination of the fair values of consideration settled in equity instruments, deferred cash settlement, identifiable assets acquired and liabilities assumed in the transactions.

We assessed the independence and competency of the specialist engaged by management and independently reviewed the purchase price allocation reports prepared by the specialist. We compared the valuation methodologies and key assumptions used in deriving these fair values to generally accepted market practices and market data, and tested the integrity of the inputs in valuation to supporting documents. We considered the appropriateness of disclosures based on a review of documentation on business combination. We also considered appropriateness of these balances and the accounting for non-controlling interest in the acquiree and valuation of intangible assets which arise may from these business combination, which including customer relationship.

Impairment assessment of plant and machinery

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

The carrying amount of the plant and machinery amounting to $10.9 million, accounted for approximately 10.3% of the group total assets as at the reporting year end.

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

Key audit matters (cont'd)

Impairment assessment of plant and equipment (cont'd)

We have challenged management's estimates used in the discounted cash-flow model through our knowledge of the operations, past performance, growth strategies and cost initiatives. We have considered the process established by management to assess the reasonableness of the assumptions used for determining whether or not an impairment allowance is necessary and management's plans for future actions. We have considered the adequacy of the disclosures of the judgements and assumptions in the financial statements. We have also considered how management and the ARMC have been appropriately involved and given appropriate attention to the budgets and forecasts as well as review the appropriateness of management's assumptions and estimates used in the preparation of the cash flow forecast.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

14 September 2017
Engagement partner - effective from year ended 31 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017
(In Singapore Dollars)

	Notes	2017 $'000	2016 $'000 (Restated)
Revenue	5	36,660	6,819
Cost of sales		(20,781)	(4,106)
Gross profit		15,879	2,713
Other income	6	1,388	23
Other gains	7	2,410	17,646
Selling and distribution expenses	8	(985)	(59)
General and administrative expenses	9	(15,098)	(6,313)
Finance costs	10	(1,435)	(209)
Other losses	7	(8,281)	(10,165)
(Loss)/profit before income tax		(6,122)	3,636
Income tax income/(expense)	12	532	(141)
(Loss)/profit after tax, net of tax		(5,590)	3,495
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operation		(148)	–
Total comprehensive (loss) income		(5,738)	3,495
(Loss)/profit attributable to:			
- Owners of the parent		(5,456)	3,678
- Non-controlling interests		(134)	(183)
		(5,590)	3,495
Total comprehensive (loss) income attributable to:			
- Owner of the parent		(5,604)	3,678
- Non-controlling interests		(134)	(183)
		(5,738)	3,495

		2017 cents	2016 cents
Earnings per share			
Basic and diluted earnings per share	13	(6.70)	5.51

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

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2017
(In Singapore Dollars)

		Group			Company		
	Notes	31.03.2017 $'000	31.03.2016 $'000 (Restated)	01.04.2015 $'000 (Restated)	2017 $'000	2016 $'000 (Restated)	01.04.2015 $'000 (Restated)
ASSETS							
Non-current assets							
Property, plant and equipment	14	38,760	41,217	17,590	215	117	132
Investment properties	15	35,762	35,762	–	–	–	–
Investment in subsidiaries	16	–	–	–	1,358	1,358	1,358
Investment securities	17	194	194	–	–	–	–
Intangible assets	18	2,140	2,332	–	–	–	–
Deferred tax assets	12	101	19	–	–	–	–
Other receivables	21	1,129	–	–	–	–	–
Total non-current assets		78,086	79,524	17,590	1,573	1,475	1,490
Current assets							
Development property	19	3,646	3,080	3,194	–	–	–
Inventories	20	9,353	11,591	20	–	–	–
Trade and other receivables	21	4,056	5,502	9,628	38,388	35,154	22,988
Other assets	22	5,602	6,424	57	137	1,450	52
Investment securities	17	1,590	4,477	8,751	1,590	822	8,751
Cash and cash equivalents	23	3,125	6,322	16,235	692	2,868	11,883
Total current assets		27,372	37,396	37,885	40,807	40,294	43,674
Total assets		105,458	116,920	55,475	42,380	41,769	45,164
EQUITY AND LIABILITIES							
Equity							
Share capital	24	50,713	48,859	46,328	50,713	48,859	46,328
Treasury shares	25	–	–	(1,021)	–	–	(1,021)
Other reserves	26	2,098	3,786	2,414	(167)	1,373	–
Accumulated profits/(losses)		(2,080)	3,376	(234)	(9,436)	(10,173)	(259)
Total equity attributable to owners of the parent		50,731	56,021	47,487	41,110	40,059	45,048
Non-controlling interests		2,876	3,104	498	–	–	–
Total equity		53,607	59,125	47,985	41,110	40,059	45,048
Non-current liabilities							
Other payables	27	1,975	1,045	–	800	–	–
Other financial liabilities	28	31,286	33,741	2,464	–	–	–
Deferred tax liabilities	12	2,120	2,723	–	–	–	–
Total non-current liabilities		35,381	37,509	2,464	800	–	–
Current liabilities							
Trade and other payables	29	3,612	10,054	2,063	470	1,710	116
Other liabilities	30	533	391	283	–	–	–
Other financial liabilities	28	12,005	9,049	2,680	–	–	–
Income tax payable		320	792	–	–	–	–
Total current liabilities		16,470	20,286	5,026	470	1,710	116
Total liabilities		51,851	57,795	7,490	1,270	1,710	116
Total equity and liabilities		105,458	116,920	55,475	42,380	41,769	45,164

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2017
(In Singapore Dollars)

Group:	Total equity $'000	Equity attributable to owners sub-total $'000	Share capital $'000	Treasury shares $'000	Accumulated profits/(losses) $'000	Other reserves $'000	Non-controlling interests $'000
Current year:							
Opening balance at 1 April 2016 – as restated (Note 38)	59,125	56,021	48,859	–	3,376	3,786	3,104
Total comprehensive loss for the year	(5,738)	(5,604)	–	–	(5,456)	(148)	(134)
Issuance of shares pursuant to PSP (Note 24)	593	593	793	–	–	(200)	
Issuance of shares pursuant to repayment of loaned shares (Note 24)	(1,215)	(1,215)	956	–	–	(2,171)	–
Issuance of shares as part consideration (Note 24)	570	570	105	–	–	465	–
Value of employee services received for issue of performance shares	366	366	–	–	–	366	–
Acquisition of NCI without a change in control	(94)	–	–	–	–	–	(94)
Closing balance at 31 March 2017	53,607	50,731	50,713	–	(2,080)	2,098	2,876

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Year ended 31 March 2017
(In Singapore Dollars)

Group:	Total equity $'000	Equity attributable to owners sub-total $'000	Share capital $'000	Treasury shares $'000	Accumulated profits/(losses) $'000	Other reserves $'000	Non-controlling interests $'000
Previous year:							
Opening balance at 1 April 2015	47,985	47,487	46,328	(1,021)	(234)	2,414	498
Total comprehensive income for the year, as previously reported	420	603	–	–	603	–	(183)
Purchase price allocation	3,075	3,075	–	–	3,075	–	–
Total comprehensive income for the year, as restated	3,495	3,678	–	–	3,678	–	(183)
Purchase of treasury shares	(3,495)	(3,495)	–	(3,495)	–	–	–
Issuance of shares pursuant to PSP	70	70	–	50	–	20	–
Issuance of shares pursuant to acquisition of investment in unquoted securities	3,655	3,655	–	3,337	–	318	–
Issuance of shares pursuant for acquisition of subsidiaries – as previously reported	5,935	5,935	3,647	1,129	–	1,159	–
Price purchase allocation – as restated	(850)	(1,309)	(1,116)	–	(68)	(125)	459
Issuance of shares pursuant for acquisition of subsidiaries – as restated (Note 24)	5,085	4,626	2,531	1,129	(68)	1,034	459
Acquisition of subsidiaries with NCI	2,210	–	–	–	–	–	2,210
Incorporation of a subsidiary with NCI	120	–	–	–	–	–	120
Closing balance at 31 March 2016 - restated	59,125	56,021	48,859	–	3,376	3,786	3,104

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

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

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Year ended 31 March 2017
(In Singapore Dollars)

Company	Total equity	Share capital	Treasury shares	Accumulated losses	Other reserves
	$'000	$'000	$'000	$'000	$'000
Previous year:					
Opening balance at 1 April 2015	45,048	46,328	(1,021)	(259)	–
Issuance of shares pursuant for acquisition of subsidiaries – as previously reported	5,935	3,647	1,129	–	1,159
Price purchase allocation – as restated	(1,240)	(1,116)	–	–	(124)
Issuance of shares pursuant for acquisition of subsidiaries - as restated	4,695	2,531	1,129	–	1,035
Total comprehensive income for the year	(9,914)	–	–	(9,914)	–
Purchase of treasury shares	(3,495)	–	(3,495)	–	–
Issuance of shares pursuant to PSP	70	–	50	–	20
Issuance of shares pursuant to acquisition of investment in unquoted securities	3,655	–	3,337	–	318
Closing balance at 31 March 2016 (restated)	40,059	48,859	–	(10,173)	1,373

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

CONSOLIDATED
CASH FLOW STATEMENT

Year ended 31 March 2017
(In Singapore Dollars)

	2017 $'000	2016 $'000 (Restated)
Cash flow from operating activities		
(Loss)/profit before income tax	(6,122)	3,636
Depreciation of property, plant and equipment	2,209	1,224
Amortisation of intangibles	186	–
Dividend income	(15)	(6)
Interest income	(47)	(17)
Interest expense	1,253	183
Loss on disposal of plant and equipment	6	–
(Reversal)/allowance for doubtful receivables	(12)	28
Negative goodwill on acquisition of subsidiaries	–	(17,335)
Provision for deferred rental	–	79
Impairment of development property	–	180
Impairment of plant and equipment	508	–
Impairment of advances to suppliers	247	–
(Reversal)/impairment of unquoted securities	(1,500)	1,500
Loss on disposal of investment securities	4,326	–
Impairment of goodwill	–	22
Employee share plan	593	70
Fair value adjustment on acquisition of subsidiaries	–	182
Fair value (gain)/loss on quoted securities	(768)	8,363
Value of employee services received for issue of performance shares	366	–
Foreign currency translation	(565)	–
Operating cash flows before changes in working capital	665	(1,891)
Decrease/(increase) in receivables	1,211	(634)
Decrease/(increase) in other assets	822	(1,426)
Decrease/(increase) in inventories	2,238	(336)
Decrease in payables	(6,442)	(1,914)
Increase in other liabilities	142	108
Expenditure on development properties	(420)	(66)
Cash flows used in operations	(1,784)	(6,159)
Income tax (refunded)/paid	(625)	92
Net cash flows used in operating activities	(2,409)	(6,067)

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

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

CONSOLIDATED
CASH FLOW STATEMENT (CONT'D)

Year ended 31 March 2017
(In Singapore Dollars)

	2017 $'000	2016 $'000 (Restated)
Cash flows from investing activities		
Decrease in advances to suppliers for purchase of machines	–	4,941
Purchase of property, plant and equipment	(962)	(5,242)
Purchase of marketable securities	–	(434)
Receivables, non-current - increase	(1,129)	–
Proceeds on disposal of investments securities	829	–
Proceeds on disposal of intangible	6	–
Proceeds on disposal of plant and equipment	374	–
Interest received	47	17
Dividend received	15	6
Net cash outflow on acquisition of subsidiaries	–	(32,182)
Investment in unquoted shares	–	(1,500)
Net cash flows used in investing activities	(820)	(34,394)
Cash flows from financing activities		
Payables, non-current - increase	930	1,045
Net proceeds from loans and borrowings	745	31,071
Purchase of treasury shares	–	(3,495)
Repayment of obligations under finance lease	(244)	–
Interest paid	(1,399)	(183)
Net cash flows from financing activities	32	28,438
Net decrease in cash and cash equivalents	(3,197)	(12,023)
Cash and cash equivalents, beginning balance	4,212	16,235
Cash and cash equivalents, ending balance (Note 23A)	1,015	4,212

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

1. General

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

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

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

The principal activities of the company are those of an investment holding company. The principal activities of the company's subsidiaries are disclosed in Note 16 to the financial statements below.

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

Accounting convention

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

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2C below, where applicable.

1. General (cont'd)

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

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

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

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

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

2A. Significant accounting policies (cont'd)

Government grants

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

Employee benefits

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

Share-based compensations

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

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

Borrowing costs

All borrowing costs are interest and other costs incurred in connection with the borrowing of funds and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest method.

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

2A. Significant accounting policies (cont'd)

Leases

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

Foreign currency transactions

The functional currency is the Singapore Dollars ("$") as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

Translation of financial statements of other entities

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

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

2A. Significant accounting policies (cont'd)

Segment reporting

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

Income tax

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

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

Property, plant and equipment

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

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

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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

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

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

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

Investment properties

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

Investment properties are initially measured at cost including transaction costs.

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

Development properties

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

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

2A. Significant accounting policies (cont'd)

Development properties (cont'd)

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

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

Intangible assets

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

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives of customer relationship at date of acquisition was estimated to be 5 years. In 2017, the useful lives was changed to 10 years as a result of the completion of the purchase price allocation exercise. However, as no amortisation was recognised in 2016, there is no impact to the financial year ended 31 March 2016 as a result of the change in useful lives.

Subsidiaries

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

In the company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

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

2A. Significant accounting policies (cont'd)

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. If there is gain on bargain purchase, a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

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

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with FRS 103 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this FRS 103.

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

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

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

2A. Significant accounting policies (cont'd)

Non-controlling interests

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

Inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Impairment of non-financial assets

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

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

2A. Significant accounting policies (cont'd)

Impairment of non-financial assets (cont'd)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets

Initial recognition, measurement and derecognition:

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

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

Subsequent measurement:

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

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

#2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

Subsequent measurement (cont'd):

#2. Loans and receivables: Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

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

#4. Available-for-sale financial assets*:* Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. The financial assets are classified as non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting year. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

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

2A. Significant accounting policies (cont'd)

Cash and cash equivalents

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

Financial liabilities

Initial recognition, measurement and derecognition:

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

Subsequent measurement:

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

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

#2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method.

Fair value measurement

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

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

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

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

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

2B. Other explanatory information

Treasury shares

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

2C. Critical judgements, assumptions and estimation uncertainties

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

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

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

Business acquisitions:

As described in Note 16, the group acquired 100% equity interest in Supratechnic Pte Ltd and its subsidiaries and Koon Cheng Development Pte Ltd on 11 March 2016 and 19 February 2016 respectively. These acquisition were effected primarily by transferring cash or offer assets, or incurring liabilities in exchange of equity interest. The acquisition accounting could be complex and judgement is required in determining if these acquisitions resulted in the group obtaining control over the investees. There were some inherent uncertainties in the determination of the fair values of consideration settled in equity instruments, deferred cash settlement, identifiable assets acquired and liabilities assumed in the transactions.

Plant and machinery:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value in use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year affected by the assumption is $$9,657,130 (2016: $10,165,400).

Determination of debt or financing arrangement:

Judgement is required to determine whether arrangement to provide financing to a related party to jointly develop a development property project is debt/financing or investment arrangement. Management considers terms and conditions and other relevant factors in the conditional agreement signed with Gadius Assets Pte Ltd ("Gadius") and concluded that such agreement provide evidence of a debt or financing arrangement.

Key assumptions and basis used in the determination included:-

(a) Management's intention to lend the initial sum to Gadius is to obtain a reasonable return within a short period of time;
(b) The transaction is entered into by management in view of a fixed and ascertainable return. This is evident in the arrangement that Gadius and its shareholders have guaranteed a certain return by 30 September 2018;
(c) The co-signatory arrangement of Gadius shareholders and nominee of the company is a mechanism structured by management to safeguard their investment in Gadius; and
(d) Gadius is solely liable for the progress, construction, completion and sale of the development property and the primary intent is for the group to inject liquidity

Accordingly, such advance to Gadius of $1,129,319 is recorded as other receivables and measured at amortised cost using the effective interest rate method(see Note 21).

3. Related party relationships and transactions

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3A. Related companies

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

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

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

3B. Key management compensation

	Group	
	2017	2016
	S$'000	S$'000
Salaries and other short-term employee benefits	1,037	680
Contributions to defined benefits plans	88	33

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

	Group	
	2017	2016
	S$'000	S$'000
Remuneration of directors	823	608

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.

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

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

	Company	
	2017	2016
	S$'000	S$'000
Subsidiaries:		
Balance at beginning of the year	36,133	22,933
Amounts paid out	1,765	13,200
Balance at end of the year	37,898	36,133
Presented as:		
Trade and other receivables (Note 21)	38,206	36,383
Trade and other payables (Note 29)	(308)	(250)
Balance at end of the year	37,898	36,133

4. Financial information by operating segments

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

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported financial performance or financial position of the company.

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

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

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

a) The oil trading segment is a research and development, engineering, manufacturing and consultancy for the biofuel industry.
b) The property segment is a property developer and property investment.
c) The marine trading segment is a trader of marine equipment and related products.
d) The others segment includes investment holding companies.

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

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

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

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

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

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

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

4B. Business segments

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

	Oil trading $'000	Property $'000	Marine trading $'000	Others $'000	Adjustments $'000	Total $'000
2017						
Revenue						
- Sales to external customers	3,109	3,726	30,199	–	(374)	36,660
Interest income (Note 6)	–	47	–	–	–	47
Fair value gain on quoted securities (Note 7)	–	–	–	768	–	768
Loss on disposal of investment securities (Note 7)	–	–	–	(4,326)	–	(4,326)
Depreciation of property, plant and equipment (Note 14)	(820)	(473)	(895)	(18)	(3)	(2,209)
Profit/(loss) before tax	871	448	(2,438)	(4,772)	(231)	(6,122)
Assets	12,584	41,727	33,739	17,408	–	105,458
Liabilities	6,917	4,672	12,725	27,537	–	51,851
Other segment information:						
Capital expenditure on property, plant and equipment and development property	278	5	660	19	–	962

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

4B. Business segments (cont'd)

	Oil trading $'000	Property $'000	Marine trading $'000	Others $'000	Adjustments $'000	Total $'000
2016 (Restated)						
Revenue						
- Sales to external customers	4,979	407	2,102	41	(710)	6,819
Interest income	–	–	3	14	–	17
Fair value loss on quoted securities	–	–	–	(8,363)	–	(8,363)
Provision for diminution of value of development property	–	(180)	–	–	–	(180)
Provision for impairment of investment in unquoted securities	–	–	–	(1,500)	–	(1,500)
Negative goodwill arising from acquisition of subsidiaries						
- As previously reported	–	–	–	–	14,078	14,078
- PPA adjustment	–	–	–	–	3,257	3,257
Negative goodwill restated	–	–	–	–	17,335	17,335
Depreciation of property, plant and equipment	(1,136)	(16)	(56)	(16)	–	(1,224)
Profit/(loss) before tax	(2,239)	90	158	(11,603)	17,230	3,636
Assets	13,403	36,805	41,712	25,000	–	116,920
Liabilities	(7,274)	(3,731)	(13,266)	(33,524)	–	(57,795)
Other segment information:						
Capital expenditure on property, plant and equipment and development property	5,242	–	–	–	–	5,242

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

4C. Geographical information

	China/ Hong Kong/ /Indonesia/ India $'000	Malaysia $'000	Singapore $'000	Total $'000
2017				
Revenue				
- External	4,584	18,198	13,878	36,660
Segment non-current assets	2,612	4,773	70,701	78,086
Capital expenditure on property, plant and equipment and development property	(80)	(152)	(730)	(962)
2016				
Revenue				
- External	1,140	713	4,966	6,819
Segment non-current assets	1,099	6,690	71,735	79,524
Capital expenditure on property, plant and equipment and development property	–	–	(5,242)	(5,242)

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

4D. Information about major customers

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

5. Revenue

	Group 2017 $'000	Group 2016 $'000
Sale of marine equipment and accessories and related services	29,620	2,102
Sale of biodiesel and blended oil	3,056	4,277
Sale of goods	3	–
Rental income	3,784	364
Service income	197	76
	36,660	6,819

6. Other income

	Group	
	2017	2016
	$'000	$'000
		(Restated)
Interest income	47	17
Dividend income	15	6
Others	1,326	–
	1,388	23

7. Other gains and (other losses)

	Group	
	2017	2016
	$'000	$'000
		(Restated)
Foreign exchange (loss)/gain, net	100	(72)
Fair value (loss)/gains on quoted securities (Note 17)	768	(8,363)
Loss on disposal of plant and equipment	(6)	–
Reversal/(Allowance) for doubtful other receivables (Note 21)	12	(28)
Bad debts written off	(9)	–
Written off plant and equipment	(2)	–
Inventories written off	(547)	–
Allowance for impairment of goodwill (Note 18)	–	(22)
Allowance for impairment on plant and machinery (Note 14)	(508)	–
Allowance for impairment on deposit (Note 22)	(247)	–
Allowance for impairment on investment securities reversal/(loss) (Note 17)	1,500	(1,500)
Loss on disposal of investment securities	(4,326)	–
Provision for diminution in value of development property (Note 19)	–	(180)
Negative goodwill arising from acquisition of subsidiaries (Note 16)	–	17,335
Government grant income	–	20
Reversal of inventory fair value gains previously recognised (Note 20)	(2,636)	–
Others	30	291
Net	(5,871)	7,481
Presented in profit and loss as:		
Other gains	2,404410	17,646
Other losses	(8,27581)	(10,165)
	(5,871)	7,481

8. Selling and distribution expenses

	Group	
	2017	2016
	$'000	$'000
Travel expenses	138	23
Transportation expenses	314	–
Employee benefit expense (Note 11)	336	–

9. General and administrative expenses

The major components include the following:

	Group	
	2017 $'000	2016 $'000
Audit fees to the independent auditor of the company	137	170
Audit fees to the other independent auditor	24	4
Other fees to the independent auditor of the company	7	–
Depreciation	2,209	1,224
Professional fees	1,022	631
Property tax	416	44
Directors remunerations	823	608
Employee benefit expense	7,265	2,143

10. Finance costs

	Group	
	2017 $'000	2016 $'000
Bank overdraft interest	32	–
Hire purchase interests	38	6
Bank loan interest	1,177	177
Interest expense on security deposits	6	–
Other finance expense	182	26
	1,435	209

11. Employee benefits expense

	Group	
	2017 $'000	2016 $'000
Salaries, bonuses and other employees' benefits	5,675	1,686
Contributions to defined contribution plans	723	151
Employee performance share plan	959	70
Other benefits	244	236
	7,601	2,143

The employee benefits expenses are charged as follows:

Selling and distribution costs (Note 8)	336	–
General and administrative expenses (Note 9)	7,265	2,143
	7,601	2,143

12. Income tax (income) expense

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

	Group	
	2017 $'000	2016 $'000 (Restated)
Current tax expense:		
Current tax expense	234	76
Over adjustments in respect of prior periods	(96)	–
Subtotal	138	76
Deferred tax expense:		
Deferred tax expense	(195)	65
Reversal of deferred tax liabilities as a result of prior year fair value uplift on inventory	(583)	–
Under adjustments in respect of prior periods	108	–
Subtotal	(670)	65
Total income tax (income) expense	(532)	141

The income tax in profit or loss varied from the amount of income tax amount determined by by applying the Singapore income tax rate of 17% (2016: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2017 $'000	2016 $'000 (Restated)
(Loss)/profit before income tax	(6,122)	3,636
Income tax (benefit) expense at the above rate	(1,041)	618
Expenses not deductible for tax purposes	681	2,148
Effect of different tax rates in different countries	4	–
Tax effect of non-taxable income	(145)	(3,008)
Deferred tax assets not recognised	202	386
Tax rebate and exemptions	(72)	–
Over adjustments to current tax in respect of prior periods	(96)	–
Under adjustments to deferred tax in respect of prior periods	108	–
Previously unrecognised deferred tax assets recognised this year	(192)	–
Others	19	(3)
Total income tax (income) expense	(532)	141

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

As at 31 March 2017, the group has tax losses and capital allowances of $14,483,000 and $3,338,000 (2016: $13,296,000 and $3,338,000) respectively that are available for set-off against future taxable profits, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the Singapore tax legislation. The unutilised tax losses do not have any expiry date.

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

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

	Group	
	2017	2016
	S$ '000	S$ '000
Excess of net book value over tax values of property, plant and equipment	(87)	65
Fair value uplift of inventories on acquisition of subsidiaries	(583)	–
	(670)	65

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

	Group	
	31.03.2017	31.03.2016
	S$ '000	S$ '000
		(Restated)
Excess of book value of plant and equipment over tax values	(125)	(145)
Fair value uplift of inventories on acquisition of subsidiaries	(1,995)	(2,578)
Others	101	19
	(2,019)	(2,704)
Presented in the statement of financial position as follows:		
Deferred tax liabilities	(2,120)	(2,723)
Deferred tax assets	101	19
	(2,019)	(2,704)

13. Earnings per share

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

	Group	
	2017	2016
	S$'000	S$'000
		(Restated)
(Loss)/profit, net of tax attributable to owners of the company	(5,456)	3,678

	No of shares	
	2017	2016
Weighted average number of equity shares	81,443,000	66,799,081

Basic earnings per share are calculated by dividing profit, net of tax attributable to owners of the parent by the weighted average number of ordinary shares outstanding during each reporting year. There is no dilutive effect from the share options as they are anti-dilutive.

14. Property, plant and equipment

	Freehold lands and buildings $'000	Leasehold properties $'000	Leasehold improvement $'000	Plant and machinery $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Computers $'000	Total $'000
Group									
Cost:									
At 1 April 2015	–	9,984	173	9,601	18	–	173	17	19,966
Additions	–	179	35	4,921	25	–	74	8	5,242
Acquisition through business combinations	5,838	11,691	762	514	342	742	3,301	515	23,705
Disposals	–	–	(148)	(96)	–	–	(15)	(4)	(263)
At 31 March 2016	5,838	21,854	822	14,940	385	742	3,533	536	48,650
Currency realignment	825	(378)	(322)	(3)	20	1	(25)	(30)	88
Additions	16	–	69	365	161	62	200	89	962
Disposals	–	–	–	(14)	(32)	(1)	(550)	(46)	(643)
At 31 March 2017	6,679	21,476	569	15,288	534	803	3,158	549	49,057

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

	Freehold lands and buildings $'000	Leasehold properties $'000	Leasehold improvement $'000	Plant and machinery $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Computers $'000	Total $'000
Group									
Accumulated depreciation and impairment loss:									
At 1 April 2015	–	25	163	2,113	15	–	47	13	2,376
Charge for the reporting year	–	662	5	432	5	16	100	4	1,224
Acquisition through business combinations	–	38	321	424	227	567	2,068	378	4,023
Disposals	–	–	(148)	(24)	–	–	(14)	(4)	(190)
At 31 March 2016	–	725	341	2,945	247	583	2,201	391	7,433
Currency realignment	–	11	(19)	445	(2)	–	(21)	(4)	410
Charge for the reporting year	–	1,079	65	485	58	88	351	83	2,209
Acquisition through business combinations	–	–	–						
Disposals	–	–	–	(1)	(24)	(1)	(193)	(44)	(263)
Impairment loss	–	–	–	508	–	–	–	–	508
At 31 March 2017	–	1,815	387	4,382	279	670	2,338	426	10,297
Net book value:									
At 1 April 2015	–	9,959	10	7,488	3	–	126	4	17,590
At 31 March 2016	5,838	21,129	481	11,995	138	159	1,332	145	41,217
At 31 March 2017	6,679	19,661	182	10,906	255	134	820	123	38,760

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

Details of the group's freehold land and building are as follow:

	Group 2017 $'000	Group 2016 $'000
5211 Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan	179	179
16 Jalan Permatang 10 Taman Desa Jaya, 81100 Johor Bahru, Johor Darul Ta'zim	176	176
#4, Lorong Nagasari 24, Taman Nagasari, 13600 Prai, Butterworth, Penang.	214	214
#6, Lorong Nagasari 24, Taman Nagasari, 13600 Prai, Butterworth, Penang.	224	224
#3, Lorong Nagasari 24, Taman Nagasari, 13600 Prai, Butterworth, Penang.	217	217
#2, Jalan Tiang U8/91 Bukit Jelutong Industrial Park 40150 Shah Alam Selangor Darul Ehsan	4,828	4,828
	5,838	5,838

The group engaged Savills (Malaysia) Sdn Bhd, an independent valuer, with a recognised and relevant professional qualification and with recent experience in the locations and categories of the properties being valued, to determine the fair value of the freehold land and building in connection with the purchase price allocation exercise of the acquisition of Supratechnic Pte Ltd in the previous financial year (Note 16). Details of the valuation techniques and inputs used are disclosed in Note 34.

Details of the group's leasehold properties are as follow:

	Group 2017 $'000	Group 2016 $'000
11,296.00 square metres industrial complex at Tuas South Street 15, Singapore	9,476	9,476
2,219.00 square metres semi-detached factory at 16A Joo Koon Circle, Singapore	8,000	8,000
684.00 square metres ramp-up flatted factory unit at 51 Bukit Batok Crescent, #03-26/27, Unity Centre, Singapore	2,000	2,000
722.00 square metres Jalan Sunter Kemayoran No. 55 Jakarta Utara, DKI Jakarta Indonesia	1,300	1,300
155.00 square metres 3/9 Jalan Industri Batu 3, Jalan Gambang, 25000 Kuantan, Pahang Darul Makmur, Malaysia	131	131
	20,907	20,907

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

The group engaged Dennis Wee Realty Pte Ltd and Savills (Malaysia) Sdn Bhd, independent valuers, with recognised and relevant professional qualifications and with recent experience in the locations and categories of the properties being valued to determine the fair value of the leasehold properties in connection with the purchase price allocation exercise of the acquisition of Supratechnic Pte Ltd in the current financial year (Note 16). Details of the valuation techniques and inputs used are disclosed in Note 34.

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

Assets held under finance lease

The carrying amount of the group's plant and equipment includes an amount of $659,040 (2016: $1,123,000) that are under finance leases. The group's obligations under finance lease are secured by the lessor's title to the leased assets.

Property, plant and equipment not in use

At the end of the reporting year, the company has machines of net carrying amount of $9,657,130 (2016: $10,165,400) which are temporarily not in use as the operations have not commenced. Management has carried out a review of the recoverable amount of these machines, which exceeds the net carrying amount at the balance sheet date. The recoverable amount was determined based on the value-in-use of the machines and pre-tax discount rate used was 10.5% (2016: 10.5%), which is Level 3, non-recurring measurement.

Based on the recoverable amount determined by management and in view that the machineries still had not been put into production, an impairment allowance of $508,270 (2016: Nil) was made as at reporting year end. Management is currently monitoring the biofuel market to decide if operations will commence in year 2018.

Basis of allowance of plant and equipment

The recoverable amount of the plant and equipment was based on its value in use and was determined by discounting the future cash flows to be generated from the continuing use. These calculations use cash flow projections based on financial budgets.

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

	Renovation $'000	Office equipment $'000	Motor vehicle $'000	Computers $'000	Total $'000
Company					
Cost:					
At 1 April 2015	149	11	132	15	307
Additions	–	–	–	1	1
Disposals	(149)	–	–	(4)	(153)
At 31 March 2016	–	11	132	12	155
Additions	–	108	–	7	115
At 31 March 2017	–	119	132	19	270
Accumulated depreciation:					
At 1 April 2015	148	10	7	10	175
Charge for the year	–	–	13	2	15
Disposals	(148)	–	–	(4)	(152)
At 31 March 2016	–	10	20	8	38
Charge for the year	–	–	13	4	17
At 1 March 2017	–	10	33	12	55
Net book value:					
At 1 April 2015	1	1	125	5	132
At 31 March 2016	–	1	112	4	117
At 31 March 2017	–	109	99	7	215

15. Investment properties

	Group 2017 $'000	Group 2016 $'000 (Restated)
At fair value:		
At 31 March 2015 and 1 April 2016	35,762	–
Acquisition through business combinations	–	35,762
At end of the 31 March 2017	35,762	35,762
Statement of comprehensive income		
Rental income from investment properties (Note 5)	3,784	364
Direct operating expenses (including repairs and maintenance) arising from revenue generating properties	902	85

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

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

The group engaged Dennis Wee Realty Pte Ltd, an independent valuer, with a recognised and relevant professional qualification and with recent experience in the locations and categories of the properties being valued to determine the fair value of the investment properties in connection with the purchase price allocation exercise of the acquisition of Koon Cheng Development Pte Ltd in the previous financial year (Note 16). Details of the valuation techniques and inputs used are disclosed in Note 34.

The directors are of the view that the carrying value of the investment properties approximate their fair values at the end of the reporting period.

The investment properties held by the group as at 31 March 2017 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
182, 184, 186 Woodlands Industrial Park E5, Singapore 757515	Workshops, offices and workers' dormitory	30 years lease commencing 25 April 2007	20 years
2 bedroom apartment at Southbank Grand 2603, 151 City Road, Southbank Victoria 3006, Australia	Residential	Freehold	N/A
A one bedroom apartment at 25G Garden Tower, Tower 1, Manila, Philippines	Residential	Freehold	N/A
149 Residence Tower Woodberry Grove London N4 2BS	Residential	Leasehold	991 years

16. Investment in subsidiaries

	Company 2017 $'000	Company 2016 $'000
Unquoted equity shares, at cost	1,358	1,358

The subsidiaries held by the company are listed below:

	Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost 2017 $'000	Cost 2016 $'000	Equity held 2017 %	Equity held 2016 %
	Held by the company				
^	USP Properties Pte Ltd Singapore Investment holding and real estate developer	1,044	1,044	100	100
^	USP Industrial Pte Ltd Singapore Investment holding, research and development, engineering, manufacturing and consultancy for biofuel industry	261	261	100	100
^	Biofuel Research Pte Ltd Singapore Research and development, engineering, manufacturing and consultancy for biofuel industry	53	53	93	93
		1,358	1,358		
	Held through USP Industrial Pte Ltd				
^	Biofuel Research Pte Ltd Singapore Research and development, engineering, manufacturing and consultancy for biofuel industry			93	93
^	BOS Marine Pte Ltd (formerly known as USP Oil Pte Ltd) Singapore General wholesale trade and manufacture of inedible oils and fats			100	60
^	USPI Investment Pte Ltd Singapore Investment holding			100	100

(In Singapore Dollars)

16. Investment in subsidiaries (cont'd)

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

		Equity held	
		2017	2016
		%	%
	Held through BOS Marine Pte Ltd (formerly known as USP Oil Pte Ltd)		
^	Sky-land (Oils & Fats) Pte Ltd (1) Singapore General wholesale trade and tank and general cleaning	100	60
	Held through USPI Investment Pte Ltd		
^	Supratechnic Pte Ltd Singapore Wholesale of industrial machinery and equipment, marine equipment and accessories	100	100
	Held through Supratechnic Pte Ltd		
^	Scientific & Industrial Instrumentation Pte Ltd Singapore (Note 35) Trading in scientific and industrial instruments	51	51
*	Supratechnic (M) Sdn. Bhd. Malaysia Trading in outboard motors and general merchandise	90	90
#	PT Supratechnic Instrumentasi (Indonesia) Trading in outboard motors and general merchandise	100	100
	Held through Supratechnic (M) Sdn Bhd		
*	Semangat Hitech Sdn. Bhd. Malaysia Letting out of properties and general traders	90	90
#	PT Supratechnic Instrumentasi (Indonesia) Trading in outboard motors and general merchandise	100	100
	Held through the USP Properties Pte Ltd		
+	Cluny Home Development Pte Ltd Singapore Real estate developer	90	90
^	USPP Woodlands Pte Ltd Singapore Investment holding	100	100

16. Investment in subsidiaries (cont'd)

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

		Equity held 2017 %	Equity held 2016 %
	Held through USPP Woodlands Pte Ltd		
^	Koon Cheng Development Pte Ltd Singapore Real estate developer	100	100

^ Audited by RSM Chio Lim LLP.
* Audited by RSM Malaysia, is a member of RSM International, of which RSM Chio Lim LLP is a member
# Audited by other audit firm
+ Dormant and qualified for audit exemption under the Act
(1) During the year, the group acquired remaining 40% shares of Sky-land (Oils & Fats) Pte Ltd at a nominal value of $1.

16A. Subsidiary with material NCI

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

	2017 $'000	2016 $'000
Scientific & Industrial Instrumentation Pte Ltd		
(Loss)/profit allocated to NCI of the subsidiary	(158)	192
Accumulated NCI of the subsidiary	1,143	1,301
The summarised financial information of the subsidiaries (not adjusted for the percentage ownership held by the group and amounts before inter-company eliminations):		
Current assets	621	1,260
Current liabilities	(813)	(294)
(Loss)/profit for the reporting year	(323)	392
Total comprehensive income	(323)	392
Operating cash flows (decrease)/increase	(252)	579
Net cash flows, (decrease)/increase	(685)	547

16. Investment in subsidiaries (cont'd)

16B. Acquisition of subsidiaries

(I) Supratechnic Pte Ltd and subsidiaries

On 11 March 2016 ("the "acquisition date"), the group's subsidiary, USPI Investment Pte Ltd ("USPII") acquired a 100% equity interest in Supratechnic Pte Ltd and its subsidiaries ("Supra Group"), whose principal activities are those of wholesale of industrial machinery and equipment, marine equipment and accessories.

The group acquired Supra group to gain a foothold in the property business as part of the group's diversification into the business of property development as the key assets of Supra group are those of 13 industrial and commercial properties located in Singapore, Malaysia, Indonesia, United Kingdom, Australia and Philippines.

The following table summarises the fair value of the identifiable assets and liabilities at the acquisition date and effects of the acquisition on the group's cash flows:

(a) Identifiable assets acquired and liabilities assumed

	Provisional fair value recognised on acquisition $'000	Purchase price allocation adjustment $'000	Final fair value recognised on acquisition $'000
Property, plant and equipment	19,432	–	19,432
Investment properties	2,262	–	2,262
Intangible assets	1,530	336	1,866
Investment securities	194	–	194
Other non-current assets	26	–	26
Trade and other receivables and prepayments	3,881	–	3,881
Inventories	8,599	2,636	11,235
Cash and cash equivalents#	2,816	–	2,816
Total assets	38,740		41,712
Trade and other payables	5,317	–	5,317
Loans and borrowings	6,925	–	6,925
Other liabilities	80	–	80
Deferred tax liabilities	932	747	1,679
Total liabilities	13,254		14,001
Total identifiable net assets at fair value	25,486	2,225	27,711
Non-controlling interest measured at the non-controlling interest proportionate share of Supra group's net identifiable net assets	(2,650)	(459)	(3,109)
Negative goodwill recognised	(8,640)	(2,028)	(10,668)
Consideration transferred	14,196	(262)	13,934

16. Investment in subsidiaries (cont'd)

16B. Acquisition of subsidiaries (cont'd)

(I) Supratechnic Pte Ltd and subsidiaries (cont'd)

(b) Consideration transferred for the acquisition of Supra group

	Provisional fair value recognised on acquisition $'000	Purchase price allocation adjustment $'000	Final fair value recognised on acquisition $'000
Cash paid	9,690	–	9,690
Deferred cash settlement	2,650	(205)	2,445
Equity instruments issued (49,000,000 ordinary shares of the company)*	1,421	(44)	1,377
Deferred equity consideration	435	(13)	422
Total consideration transferred	14,196		13,934

Deferred cash settlement

Deferred cash settlement is to be satisfied as follows:

- $1,805,000 on the 1st anniversary from the completion date; and
- $640,000 on the 3rd anniversary from the completion date.

Equity consideration

*To facilitate the delivery of 49,000,000 Consideration Shares to the Vendors in furtherance of the group's obligations under the share purchase agreement, the company entered into a share lending agreement with Precious Streams Holdings Limited, a shareholder of the company, to borrow up to 49,000,000 shares in the capital of the company. The loan shares were redelivered during the year.

Deferred equity consideration

The company is required to deliver the 1,500,000 Consideration Shares (post shares consideration) to the Vendors after the lapse of the warranty period which is the 3rd anniversary of the completion date of the transaction in March 2016.

16. Investment in subsidiaries (cont'd)

16B. Acquisition of subsidiaries (cont'd)

(I) Supratechnic Pte Ltd and subsidiaries (cont'd)

(c) Effect on the acquisition of Supra group on cash flows

	Provisional fair value recognised on acquisition $'000	Purchase price allocation adjustment $'000	Final fair value recognised on acquisition $'000
Consideration settled in cash	9,690		9,690
Deferred consideration in cash	2,650	(205)	2,445
Less: cash and cash equivalents of subsidiary	(2,816)	(299)	(3,115)
Net cash outflow on acquisition	9,524		9,020

(d) Accounting of the acquisition of Supra group

The group has engaged an independent valuer to determine the fair value of the identifiable net assets of Supra group. At the reporting date, the fair value of the property, plant and equipment and investment properties amounting to $17,269,000 was determined by group of independent valuer for properties located in different countries.

Following the completion of the purchase price allocation report during the financial year, the value of the customer relationship was valued of S$1,866,000 as compared to the provisional amount of $1,530,000.

(e) Transaction costs

Transaction costs of $18,000 are included in "Legal and Professional Expenses" in the consolidated statement of comprehensive income for the financial year ended 31 March 2016.

(f) Impact of the acquisition on profit or loss

From the acquisition date, Supra group has contributed $2,102,000 of revenue and $113,000 to the group's profit for the financial year ended 31 March 2016. If the business combination had taken place at the beginning of the year, the revenue from continuing operations would have been $42,031,000 and the group's profit from continuing operations, net of tax would have been $2,486,000.

16. Investment in subsidiaries (cont'd)

16B. Acquisition of subsidiaries (cont'd)

(II) Koon Cheng Development Pte Ltd

On 19 February 2016 ("the "acquisition date"), the group's subsidiary, USPP Woodlands Pte Ltd ("USPPWL") acquired a 100% equity interest in Koon Cheng Development Pte Ltd ("KCD"), which principal activities are those of a real estate developer.

The group has acquired KCD to gain a foothold in the property business as part of the group's diversification into the business of property development.

The following table summarises the fair value of the identifiable assets and liabilities at the acquisition date and effects of the acquisition on the group's cash flows:

(a) Identifiable assets acquired and liabilities assumed

	Provisonal fair value recognised on acquisition $'000	Purchase price allocation adjustment $'000	Final fair value recognised on acquisition $'000
Property, plant and equipment	35		35
Investment properties	33,500	–	33,500
Trade and other receivables	71	–	71
Cash and cash equivalents	71	–	71
Total assets	33,677	–	33,677
Trade and other payables	1,232	(65)	1,167
Total liabilities	1,232	(65)	1,167
Total identifiable net assets at fair value	32,445		32,510
Provisional negative goodwill	(5,438)	(1,227)	(6,665)
Consideration transferred	27,007	(1,161)	25,846

The negative goodwill arose as the valuation of KCD's properties is included in the net assets of the target companies. Hence, in comparison with purchase price and net assets value, it is deemed to be a bargain purchase. In addition, the vendors were very keen to sell their companies quickly for whatever reasons thus resulted in this bargain purchase price.

16. Investment in subsidiaries (cont'd)

16B. Acquisition of subsidiaries (cont'd)

(II) Koon Cheng Development Pte Ltd (cont'd)

(b) Consideration transferred for the acquisition of KCD

	Provisonal fair value recognised on acquisition $'000	Purchase price allocation adjustment $'000	Final fair value recognised on acquisition $'000
Cash paid	24,000		24,000
Equity instruments issued 117,633,576 (ordinary shares of the company)	3,647	(1,059)	2,588
Issuance of 13,945,371 treasury shares of company	432	(125)	307
Contingent consideration receivable from vendor	(1,072)	23	(1,049)
Total consideration transferred	27,007		25,846

(c) Effect on the acquisition of KCD on cash flows

	Provisonal fair value recognised on acquisition $'000	Purchase price allocation adjustment $'000	Final fair value recognised on acquisition $'000
Consideration settled in cash	24,000	–	24,000
Less: cash and cash equivalents of subsidiary acquired	(71)	–	(71)
Net cash outflow on acquisition	23,929		23,929

(d) Accounting of the acquisition of KCD

The purchase price allocation of the acquisition of KCD in the financial year ended 31 March 2016 are provisional. The group has engaged an independent valuer to determine the fair value of the identifiable net assets of KCD. At the reporting date, the fair value of the investment properties amounting to $33,500,000 was determined by an independent valuer. Provisional negative goodwill arising from this acquisition and the carrying amount of the net identifiable assets was adjusted accordingly on a retrospective basis when the valuation of the business as a whole was finalised.

Following the completion of the purchase price allocation report during the financial year, the negative goodwill was valued $6,665,000 as compared to the provisional amount of $5,438,000.

(e) Transaction costs

Transaction costs of $300 are included in "Legal and Professional Expenses" in the consolidated statement of comprehensive income for the financial year ended 31 March 2016.

16. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(II) Koon Cheng Development Pte Ltd (cont'd)

(f) Impact of the acquisition on profit or loss

From the acquisition date, KCD has contributed $407,000 of revenue and $198,000 to the group's profit for the financial year ended 31 March 2016. If the business combination had taken place at the beginning of the year, the revenue from continuing operations would have been $1,342,000 and the group's profit from continuing operations, net of tax would have been $1,482,000.

(III) Sky-Land (Oils & Fats) Pte Ltd

On 15 July 2015 ("the "acquisition date"), the group's subsidiary, BOS Marine Pte Ltd ("BOS") acquired a 100% equity interest in Sky-Land (Oils & Fats) Pte Ltd ("SLOF"), which principal activities are those of general wholesale trade and tank and general cleaning.

The group has acquired SLOF to gain a foothold in the cleaning of oil grease traps as part of the group's diversification into the business of oil business.

The following table summarises the fair value of the identifiable assets and liabilities at the acquisition date and effects of the acquisition on the group's cash flows:

(a) Identifiable assets acquired and liabilities assumed

	Fair value recognised on acquisition $'000
Property, plant and equipment	141
Trade and other receivables	6
Cash and cash equivalents	1
Total assets	148
Hire purchase creditors	70
Total liabilities	70
Total identifiable net assets at fair value	78
Provisional goodwill on acquisition	22
Consideration transferred for the acquisition of SLOF	100

(b) Effect on the acquisition of SLOF on cash flows

	$'000
Consideration settled in cash	50
Deferred consideration in cash	50
Less: cash and cash equivalents of subsidiary acquired	(1)
Net cash outflow on acquisition	99

16. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(III) Sky-Land (Oils & Fats) Pte Ltd

(c) Accounting of the acquisition of SLOF

The provisional purchase price allocation of the acquisition of SLOF in the financial year ended 31 March 2016 is finalised with no adjustments to the provisional numbers.

17. Investment securities

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current:				
Held for trading investments				
- Quoted equity securities	1,590	822	1,590	822
Available-for-sale financial assets				
- Unquoted equity securities	–	3,655	–	–
	1,590	4,477	1,590	822
Non-current:				
Available-for-sale financial assets				
- Unquoted equity securities, at cost	194	194	–	–

Held for trading equity securities

	Group and Company	
	2017	2016
	$'000	$'000
Quoted equity shares, at cost	3,243	3,243
Fair value adjustment	(1,653)	(2,421)
At market value (Level 1)	1,590	822

Analysis of movement in fair value adjustment for marketable securities:

Balance at beginning of year	(2,421)	5,942
Fair value adjustment for the year (Note 7)	768	(8,363)
Balance at end of year	(1,653)	(2,421)

17. Investment securities (cont'd)

Available-for-sale unquoted equity securities (current)

These represents the group's investment in 49% of the issued and paid up capital of a Singapore private company, SG Support Services Pte Ltd ("SGSS"). The investment has been classified as an available-for-sale investment as management has determined that the group is unable to demonstrate its ability to exercise significant influence over the investee despite the 49% interests.

	Group	
	2017	2016
	$'000	$'000
Available-for-sale unquoted equity securities, at cost	3,655	5,155
Allowance for impairment – reversal/(loss)	1,500	(1,500)
Disposals	(5,155)	–
	–	3,655
Movement in allowance:		
Balance at beginning of year	(1,500)	–
Change/(reversed) to profit or loss included under other gains/(other losses) (Note 7)	1,500	(1,500)
Balance at end of year	-	(1,500)

During the reporting year 2016, there are on-going discussions between the group and the majority shareholder of SGSS, whereby the majority shareholder may acquire the company's 49% interest in SGSS. Notwithstanding, the group has engaged legal advisors to explore actions for the recovery of its investment in SGSS.

During reporting year 2016, the investment in SGSS has been classified as a current investment due to management's intention to exit its position within the next 12 months from the reporting date.

During the current reporting year, the group has entered into a global settlement agreement with the major shareholder of SGSS.

Available-for-sale unquoted equity securities (non-current)

These represent the group's investment in 19.9% of the issued and paid up capital of a Singapore private company, MSV Systems & Services Pte Ltd ("MSV"). The group has entered into a litigation with the majority shareholder of MSV for certain reliefs from minority oppression (Note 31).

18. Intangible assets

	Customer relationships	Goodwill	Club membership	Total
	$'000	$'000	$'000	$'000
Group				
Cost:				
Balance at 1 April 2015	–	–	–	–
Acquisition through business combinations				
- As reported	1,530	481	7	2,018
- PPA adjustment	336	–	–	336
Balance at 31 March 2016 (Restated)	1,866	481	7	2,354
Disposal	–	–	(6)	(6)
Balance at 31 March 2017	1,866	481	1	2,348
Accumulated amortisation and impairment:				
Balance at 1 April 2015	–	–	–	–
Impairment loss	–	22	–	22
Balance at 31 April 2016	–	22	–	22
Charge for the year	186	–	–	186
Balance at 31 March 2017	186	22	–	208
Net carrying amount:				
At 31 March 2016 (Restated)	1,866	459	7	2,332
At 31 March 2017	1,680	459	1	2,140

19. Development property

	Group 2017	Group 2016
	$'000	$'000
Land at cost	3,080	3,080
Interest expense capitalised	146	86
Other development expenditure	600	94
Land for development	3,826	3,260
Provision for diminution in value	(180)	(180)
	3,646	3,080
Movement in allowance:		
Balance at beginning of the year	180	–
Charged to profit or loss included in other losses	–	180
Balance at end of the year	180	180

Provision of impairment of $180,000 was made on property subsequent to management's assessment of the recoverable amount of the property. The recoverable amount is based on the valuation report performed by GB Global Pte Ltd dated 6 November 2015 for purpose of the bank's valuation of the property in connection with bank loan (Note 28).

19. Development property (cont'd)

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

	Group 2017	Group 2016
Capitalisation rates per annum	2.64%	2.65%
Borrowing costs capitalised included in additions during the year	61,043	64,109

The freehold land under development has been pledged as security for a bank loan (Note 28).
Details of the development property are as follow:

Description and location	Tenure	*Approximate Area (sq feet)* *Land area*	*Gross floor area*	*Percentage of completion at 31 March 2017* %	*Percentage of completion at 31 March 2016* %	*Expected completion date*
A two and half (2.5) storey semi-detached house development at 71 Blandford Drive, Singapore	Freehold	2,600	3,800	35%	–	Sep 2017

20. Inventories

	Group 2017 $'000	Group 2016 $'000 (Restated)
Finished goods		
– as previously reported	9,353	8,955
– PPA adjustment	2,636	2,636
Fair value reversal upon sale	(2,636)	–
As restated	9,353	11,591

There are no inventories pledged as security for liabilities.

The amount of inventories included in cost of sales	20,453	3,992

21. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000 (Restated)
Trade receivables:				
Outside parties	3,689	4,090	182	–
Other receivables				
Deposits to secure services	116	–		–
Outside parties (a)	251	1,471	–	11
Less: Allowance for doubtful receivables	–	(59)	–	–
Related parties (b)	1,129	–	–	–
Subsidiaries	–	–	–	–
- As previously reported	–	–	38,206	36,383
- PPA adjustment	–	–	–	(1,240)
Subtotal	1,496	1,412	38,206	35,154
Total	5,185	5,502	38,388	35,154

	Group	
	2017	2016
	$'000	$'000
Movement in above allowance – other receivables:		
Other receivables – nominal amount	59	31
(Reversal) allowance for impairment	(12)	28
Written off	(47)	–
	–	59

	2017	2016
	$'000	$'000
Presented as:		
Trade and other receivables, current	4,056	5,502
Other receivables, non-current	1,129	–
	5,185	5,502

(a) Included in other receivables is an amount of $244,942 (2016: $1,072,000) receivable from an external party in relation to the acquisition of Koon Cheng Development Pte Ltd in previous financial year (Note 16). The receivable amounting $244,942 is awaiting finalisation of income tax assessment.

(b) Amount owing from a related party is loan receivable from Gadius Assets Pte Ltd. ("Gadius"). The company entered into conditional agreement with Gadius in February 2017 to jointly develop two strata bungalows at Ponggol Seventeenth Avenue, Singapore.

The company advanced a sum of S$3.2 million (S$2.2 million in cash and S$1 million in parent company's ordinary shares) 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 is guaranteed by Gadius and its shareholders for a minimum return of S$3.31m as well as as an additional 50% of the difference between the sale price of the first strata bungalow and S$3,310,000, by 30 September 2018. As at 31 March 2017, only S$1.13m was disbursed. The carrying amount of this advance approximates its fair value.

22. Other assets

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Deposits	5,114	6,153	107	1,421
Less: allowance for impairment	(247)	–	–	–
Prepaid expenses	735	271	30	29
	5,602	6,424	137	1,450

Deposit paid for a machine which is yet to be delivered but not expected to be used as the operations has not commence. Accordingly, deposit paid was impaired on the same basis as machineries delivered and recorded under plant and equipment (Note 14) previously.

23. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash at bank	1,278	4,645	384	2,559
Cash in hand	69	39	-	1
Short-term deposits	1,778	1,638	308	308
Cash and bank balances	3,125	6,322	692	2,868

Cash at bank earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group, and earn interests at the respective short-term deposit rates. The interests earned range from 1.15% to 3.30% (2016: 0.42% to 0.72%) per annum.

At the end of the reporting period, restricted cash represented fixed deposits pledged to secure certain bank facilities amounted to $1,330,000 (2016: $Nil) (Note 28).

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

	Group	
	2017	2016
	$'000	$'000
Cash at bank and in hand and short term-term deposits	3,125	6,322
Less: bank overdrafts (Note 28)	(1,012)	(780)
Less: restricted cash – pledged fixed deposits (Note 28)	(1,098)	(1,330)
Cash and cash equivalents	1,015	4,212

24. Share capital

	Group and company	
	No. of shares issued	Share capital
	'000	$'000
Ordinary shares of no par value:		
Balance at 1 April 2015	67,012	46,328
Issuance of shares on acquisition of subsidiary	11,763	2,531
Balance at 31 March 2016 (Restated)	78,775	48,859
Issuance of shares pursuant to PSP	4,993	793
Issuance of shares pursuant to repayment of loaned shares	4,900	956
Issuance of shares as part consideration	1,228	105
Balance at 31 March 2017	89,896	50,713

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

On 11 April 2016, the company completed a share consolidation of every ten (10) ordinary shares into one (1) consolidated share.

Capital management:

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

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

	2017	2016
	$'000	$'000
Net debt:		
All current and non-current borrowings including finance leases	43,291	42,790
Less: Cash and cash equivalents (Note 23A)	(1,015)	(4,212)
Net debt	42,276	38,578
Adjusted capital:		
Total equity	53,607	59,125
Capital and net debt	95,883	97,703
Debt-to-adjusted capital ratio	44%	39%

24. Share capital (cont'd)

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

25. Treasury shares

	Group and company 2017	
	No. of shares issued	Share capital $'000
Balance at 1 April 2015	16,939	1,021
Acquired during the financial year	40,570	3,495
Vesting of employee performance share plan	(1,064)	(50)
Reissuance of shares on acquisition of subsidiary	(13,945)	(1,129)
Investment in unquoted securities	(42,500)	(3,337)
Balance at 31 March 2016 and 2017	–	–

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

In reporting year 2016, the company acquired 40,570,000 shares in the company through purchases on the Singapore Exchange during the financial year. Consideration paid to purchase the shares amounted to $3,495,000 which was presented as a component within equity in the financial statements.

26. Other reserves

	Group and company	
	2017 $'000	2016 $'000
Foreign currency translation reserve	(148)	–
Share based payment reserve	188	21
Gain or loss on reissuance of treasury shares	(504)	(504)
Others	2,562	4,269
	2,098	3,786

(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.

26. Other reserves (cont'd)

(c) Share based payment reserve

The share based payment reserve represents the equity-settled shares granted to employees (Note 11). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled shares.

(d) Gain or loss on reissuance of treasury shares

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

(d) Others – equity consideration

This represent the equity consideration paid/payable to the Vendors in relation to the acquisition of Supratechnic Pte Ltd (Note 16)

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

27. Other payables, non-current

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred consideration	1,500	750	–	–
Security deposit	475	295	–	–
Subsidiary	–	–	800	–
	1,975	1,045	800	–

Deferred consideration is part of the purchase consideration for acquisition of a subsidiary (see Note 16). The deferred consideration consists of cash consideration of S$750,000 and share consideration of 15 million number of shares, which due after 3rd anniversary of completion date of acquisition on 11 March 2016.

The loan from a subsidiary is unsecured, bears an interest of 5% per annum and repayable in March 2019.

28. Other financial liabilities

	Group 2017 $'000	Group 2016 $'000
Non-current:		
Bank loans I – IV (Note 28A)	2,961	3,193
Bank loan V (Note 28A)	4,183	4,400
Bank loans VI – VII (Note 28A)	2,603	3,209
Bank loan IX (Note 28A)	21,193	22,412
Finance lease liabilities (Note 28B)	346	527
	31,286	33,741
Current:		
Bank loans I – IV (Note 28A)	259	295
Bank loan V (Note 28A)	1,046	1,100
Bank loan VI – VII (Note 28A)	889	797
Bank loan VIII (Note 28A)	2,320	2,320
Bank loan IX (Note 28A)	1,523	1,494
Finance lease liabilities (Note 28B)	187	250
Bank overdrafts (Note 28C)	1,012	780
Bills payable (Note 28D)	4,769	2,013
	12,005	9,049
	43,291	42,790

28A. Bank loans

Loan I — this term loan by mortgage over certain leasehold property (Note 14), personal guarantee by a director of the subsidiary and corporate guarantee by the company. The 20-year term-loan is repayable over monthly instalments (comprising principal and interest) with final repayment in 2023. The loan bears interest ranging from 2.38% to 5.85% per annum calculated on a monthly rest basis. The effective interest rate was 4.16% per annum. The loan is denominated in Singapore dollar.

Loan II — is secured by a first legal charge over a leasehold building of the subsidiary (Note 14) and bears interest rate at 13.5% per annum. The loan is repayable by monthly instalments with final repayment in June 2020. The effective interest rate was 13.71% per annum. The loan is denominated in Indonesian Rupiah.

Loan III — is secured by a first legal charge over a property of the subsidiary (Note 14), deed of assignment of rental proceeds and corporate guarantee from Supratechnic (M) Sdn Bhd. The loan bears interest rate at 1.25% per annum above the bank's prevailing base lending rate and is repayable by monthly instalments over 15 years with final repayment in Jan 2028. The effective interest rate was 4.80% per annum. The loan is denominated in British Pound.

28. Other financial liabilities (cont'd)

28A. Bank loans (cont'd)

Loan IV is secured by certain properties of the subsidiaries and a third party, fixed deposits of the subsidiary (Note 23) and corporate guarantee by Supratechnic Pte Ltd. The loan bears interest rates ranging from 1.00% to 1.25% per annum above the bank's prevailing base lending rate and is repayable by monthly instalments over 15 years with final repayment in 2014.The effective interest rate was 4.73% (2016: 4.73%) per annum. The loan is denominated in Malaysian Ringgit.

Loan V is secured by mortgage over certain leasehold property (Note 14), personal guarantee by a director of the Company, corporate guarantee by the Company, first fixed charge over 100% shares in the share capital of Supratechnic Pte Ltd and USPI Investment Pte Ltd, and a fixed and floating charge over Supratechnic's Pte Ltd's present and future undertakings, property assets, revenues and rights. The 5-year term loan is repayable over 60 monthly instalments (comprising principal and interest) with final repayment in 2021. The loan bears interest at 2.00% per annum over the applicable 3-month SWAP Offer Rate ("SOR") or 2.00% per annum over the prevailing 3-month Cost of Funds ("COF"), whichever is the higher, or at such other rates as the bank may stipulate from time to time at its absolute discretion. The effective interest rate was 3.04% (2016: 2.84%) per annum. The loan is denominated in Singapore dollar.

Loan VI is secured by mortgage over the leasehold property (Note 14) and corporate guarantee by the Company. The 5-year term loan is repayable over 60 monthly instalments (comprising principal and interest) with final repayment due on August 2021. The loan bears interest of 1.65% per annum over the applicable 3-month SOR or 1.65% per annum over the prevailing 3-month COF, whichever is the higher for the 1st year and 1.65% per annum over the applicable 3-month SOR or 1.65% per annum over the prevailing 3-month COF, whichever is the higher for the 2nd year. Interest applicable in the 3rd year and thereafter is 0.75% per annum over the bank's commercial financing rate of 5.10% per annum, which is subject to revision at the bank's absolute discretion at any time and from time to time without prior notice. The effective interest rate was 4.43% (2016: 4.20%) per annum. The loan is denominated in Singapore dollar.

Loan VII bears interest at fixed rate of 6.25% per annum. It is secured by first legal mortgage on leasehold property (Note 14), corporate guarantee by ultimate holding company and personal guarantee by a director of the company. It is repayable over 60 monthly instalment from January 2017 and with final repayment in 2021.

Loan VIII is secured by mortgage over the development property (Note 19) and corporate guarantee by the Company. The loan was repayable in April 2016, and subsequently extended to June 2017. The loan bears interest of 1.65% per annum over the bank's COF or 1.65% per annum over the applicable SOR as determined by the bank whichever is the higher; or at such other rate at the sole discretion of the bank for an interest period of 3months. Effective interest rate was 2.64% (2016: 2.55%) per annum. The loan is denominated in Singapore dollar.

28. Other financial liabilities (cont'd)

28A. Bank loans (cont'd)

Loan IX is secured by mortgage over certain investment properties (Note 15), legal assignment of rental proceeds or charge over rental account to be executed of all current and future rental income from the investment property, personal guarantee by a director of the company, corporate guarantee by the company, first fixed charge over 100% shares in the share capital of Koon Cheng Development Pte Ltd and fixed and floating charge over Koon Cheng Development Pte Ltd's present and future undertakings, property assets, revenues and rights and a charge over the debt servicing reserve account maintained with the bank with balance of not less than $250,000. The 16-year term loan is repayable over 192 monthly instalments (comprising principal and interest) with final repayment in 2032. The loan bears interest at 2.00% per annum over the applicable 3-month SOR or 2.00% per annum over the prevailing 3-month COF, whichever is the higher, or at such other rates as the bank may stipulate from time to time at its absolute discretion. The effective interest rate was 3.02% (2016: 2.84%) per annum. The loan is denominated in Singapore dollar.

Subsequent to reporting year end, the company has exchanged the variable swap offer rate with fixed interest rate by entering into interest rate swap agreement with a bank whereby it receives interest at variable swap offer rate and pays interest at a fixed rate at 1.99% per annum. The interest rate swap has a notional amount of S$12 million and termination date is 19 May 2020.

Undrawn available credit facilities

At the end of the reporting period, the group has undrawn available credit facilities with certain banks of S$2,700,000 (2016: $2,250,000).

28. Other financial liabilities (cont'd)

28B. Finance lease liabilities

The group enters into a finance lease for certain plant and equipment for a lease term up to 7 years (2016: 3 years). The average discount rate implicit in the lease obligation is 4.15% (2016: 5.19%) per annum. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

Group 2017	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	213	(26)	187
Due within 2 to 5 years	361	(38)	323
Due after 5 years	25	(2)	23
Total	599	(66)	533
Carrying value of plant and equipment under finance leases			702

Group 2016	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	282	(32)	250
Due within 2 to 5 years	589	(62)	527
Total	871	(94)	777
Carrying value of plant and equipment under finance leases			1,115

28C. Bank overdrafts

Bank overdrafts bear interest rates ranging from 0.5% to 1.25% (2016: 0.5%) per annum above the prevailing prime lending rate of various banks and are secured by the subsidiary's leasehold properties and joint and several personal guarantees of the directors of the company and subsidiaries.

28D. Bills payables

Bills payable bear interest rates ranging from 1.55% to 7.85% (2016: 1.55% to 7.85%) per annum for the group and matured approximately within 1 to 3 months (2016: 1 to 3 months) from the end of the reporting period.

Bills payables are secured by:

- certain subsidiaries' leasehold properties;
- joint and several personal guarantees of the directors of the company and subsidiaries;
- negative pledge and the legal mortgage of the subsidiaries' freehold and leasehold properties;
- corporate guarantee provided by ultimate holding company;
- pledged of subsidiaries' fixed deposits (Note 23); and
- deed of assignment of rental proceeds from subsidiary.

29. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
		(Restated)		(Restated)
Trade payables:				
Outside parties and accrued liabilities	2,334	4,070	124	124
Other payables:				
Deposit received	922	1,065	–	–
Outside parties	356	2,619	38	936
Deferred consideration in relation to acquisition of subsidiaries (Note 14)	–	1,900	–	–
Subsidiaries (Note 3)	–	–	308	250
Director	–	400	–	400
Related companies (Note 3)	–	–	–	–
	1,278	5,984	346	1,586
Total trade and other payables	3,612	10,054	470	1,710

30. Other liabilities

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Advance rental received	9	–	–	–
Deferred lease income	18	29	–	–
Deferred rent payable	507	362	–	–
	533	391	–	–

31. Contingent liabilities

(i) Litigation with MSV Systems & Services Pte Ltd

During the financial year, Scientific & Industrial Instrumentation Pte Ltd ("SII"), a subsidiary of Supratechnic Pte Ltd, and Mr Lim Joo Nam ("Lim") commenced civil action against Mr Tan Teck Huat ("Tan"), Mr Sandro Matteucci ("Sandro") and MSV Systems & Services Pte Ltd ("MSV") for certain reliefs from minority oppression.

Both Lim and SII are minority shareholders of MSV and collectively hold 40% of the shares of MSV whereas Tan and Sandro are the majority shareholders and collectively hold 60% of the shares of MSV.

Lim and SII alleged that Tan has displayed a persistent course of conduct of causing MSV to enter into transactions in furtherance of his own personal interest and the interests of other parties not related to Supratechnic, to the detriment of the interest of the minority shareholders. SII and Lim, being minority shareholders do not currently have any representatives on MSV's board of directors and do not have any means to take control of MSV to prevent and/or rectify the wrongful conduct by Tan.

Lim and SII are seeking the Court to make the following orders:

(a) Defendants make a reasonable offer to buy the shares of SII and Lim; and

(b) In the alternative, that MSV be wound up on grounds that there is an irretrievable breakdown in the relationship among shareholders.

Tan has in turn filed a counterclaim against SII and Lim for conspiracy and is seeking damages. No provision has been made at the reporting date as the directors have assessed that there are no damages to be incurred by SII for the litigation. At the date of this report, the legal proceedings are still on-going.

32. Operating lease commitments – as lessee

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

	Group	
	2017	2016
	$'000	$'000
Not later than one year	547	881
Later than one year but not later than five years	969	2,552
Later than five years	27	6,571
	1,543	10,004
Rental expense for the year	809	557

The group has entered into commercial leases on plant, machineries, office premises and land and these leases have terms ranging from 2 to 27 years (2016: 3 to 18 years). There are no restrictions placed upon the group by entering into these leases. These non-cancellable leases have varying terms, escalation clauses and renewal rights.

33. Operating lease commitments – as lessor

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

	Group	
	2017	2016
	$'000	$'000
Not later than one year	1,558	2,806
Later than one year but not later than five years	1,745	657
	3,303	3,463
Rental income for the year	3,784	407

The group has entered into commercial property leases on its investment property. These non-cancellable leases have average lease terms of 2 years (2016: 2 years) and escalation clause to enable upward revision of the rental charge rate on prevailing market conditions.

34. Financial instruments: information on financial risks

34A. Categories of financial assets and liabilities

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
		(Restated)		(Restated)
Financial assets:				
Cash and cash equivalents	3,125	6,322	692	2,868
Loans and receivables	5,185	5,502	38,388	35,154
Investment securities at fair value	1,590	822	1,590	822
Available-for-sale financial assets	194	3,849	–	–
	10,094	16,495	40,670	38,844
Financial liabilities:				
At amortised cost:				
- Trade and other payables	5,587	11,099	1,270	1,710
- Other financial liabilities	43,291	42,790	–	–
	48,878	53,889	1,270	1,710

34B. Financial risk management

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

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

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

34C. Fair values of financial instruments

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

There was no transfer from Level 1 and Level 2 to Level 3 during the financial year ended 31 March 2017 and 31 March 2016.

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

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

(i) *Assets and liabilities measured at fair value*

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

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

	2016			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant un-observable inputs (Level 3) $'000	Total $'000
Financial assets:				
Held for trading investments				
- Investment securities (Note 17)	822	–	–	822

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

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

(iii) Level 3 fair value measurements

(a) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair Value $'000	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 March 2017				
Leasehold properties	11,431	Direct comparison method	Price per square foot ("psf") [1]	Favourable (adverse) change in rental yields will increase (decrease) fair value by $249 psf
Freehold land and building	5,838	Direct comparison method	Price per square foot ("psf") [1]	Favourable (adverse) change in rental yields will increase (decrease) fair value by $101 psf
Investment properties	33,500	Direct comparison method	Price per square foot ("psf") [1]	Favourable (adverse) change in rental yields will increase (decrease) fair value by $364 psf
At 31 March 2016				
Leasehold properties	11,431	Direct comparison method	Price per square foot ("psf") [1]	Favourable (adverse) change in rental yields will increase (decrease) fair value by $$249 psf
Freehold land and building	5,838	Direct comparison method	Price per square foot ("psf") [1]	Favourable (adverse) change in rental yields will increase (decrease) fair value by $101 psf
Investment properties	33,500	Direct comparison method	Price per square foot ("psf") [1]	Favourable (adverse) change in rental yields will increase (decrease) fair value by $364 psf

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

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

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

(b) Valuation policies and procedures

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

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the group's policy to engage external valuation experts to perform the valuation. The Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance to perform the valuation. For valuations performed by external valuation experts, the Management reviews the appropriateness of the valuation methodologies and assumptions adopted. The Management also evaluates the appropriateness and reliability of the inputs used in the valuations.

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

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

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

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

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

Investment in equity securities carried at cost

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

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

34D. Credit risk on financial assets

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

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

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (2016: 30 to 90 days). But some customers take a longer period to settle the amounts.

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

	Group	
	2017	2016
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	1,586	1,062
30 – 60 days	1,152	239
61 – 90 days	800	844
	3,538	2,145

The group does not have trade receivables that are impaired at the end of the reporting period. (2016: Nil)

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

	Group	
	2017	2016
	$'000	$'000
Over 90 days	–	59

The allowance which is disclosed in the note on other receivables is based on individual accounts totalling nil (2016: $59,000) that are determined to be impaired at the end of reporting year. These are not secured.

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

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

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

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

	Group	
	2017	2016
	$'000	$'000
Top 1 customer	404	135
Top 2 customers	541	147
Top 3 customers	911	151

34E. Liquidity risk – financial liabilities maturity analysis

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

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

	1 year or less	1 to 5 years	More than 5 years	Total
	$	$	$	$
Group				
2017:				
Trade and other payables	3,612	1,975	–	5,5q87
Other financial liabilities	12,902	19,152	17,339	49,393
	16,514	21,127	17,339	54,980
2016:				
Trade and other payables	10,054	1,045	–	11,099
Other financial liabilities	13,706	16,019	17,337	47,062
	23,760	17,064	17,337	58,161

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

34E. Liquidity risk – financial liabilities maturity analysis (cont'd)

	1 year or less $	1 to 5 years $	More than 5 years $	Total $
Company				
2017:				
Trade and other payables	470	800	–	1,270
2016:				
Trade and other payables	1,710	–	–	1,710

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 60 days (2016: 30 to 60 days). The other payables are with short-term durations. The classification of financial assets is shown in the statements of financial positions as they may be available to meet liquidity needs and no further analysis is deemed necessary.

34F. Interest rate risk

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

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial liabilities:				
Fixed rates	36,690	39,220	800	
Floating rates	6,601	3,570	–	–

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

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

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

34F. Interest rate risk (cont'd)

Price risk

Price risk is the risk that the fair value or future cash flows of the group's financial instruments will fluctuate because of changes in market prices (other than interest and exchange rates). The group is exposed to equity price risk arising from its investment in quoted equity securities. These securities are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and are classified as held for trading.

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

Sensitivity analysis for equity price risk

If the marketable securities were recorded at the current market price at the date of this report, the group's fair value gain on quoted shares and net profit or loss for the year would have been approximately $1,307,000 and $539,000 (2016: loss of $8,582,000 and $121,000) respectively, arising from a fair value loss on investment in equity instruments classified as fair value through profit and loss.

34G. Foreign currency risks

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

	United State Dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Total $'000
2017:				
Financial assets:				
Cash and cash equivalents	12	8	1,695	1,715
Loans and receivables	–	38	–	38
Total financial assets	12	46	1,695	1,753
2017:				
Financial liabilities:				
Trade and other payables	(15,713)	–	(824)	(16,537)
Other financial liabilities	(2,268)	–	(438)	(2,706)
Total financial liabilities	(17,981)	–	(1,262)	(19,243)
Net financial assets/(liabilities)	(17,969)	46	433	(17,490)

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

34G. Foreign currency risks (cont'd)

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

	United State Dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Total $'000
2016:				
Financial assets:				
Cash and cash equivalents	2,200	264	–	2,464
Loans and receivables	2	352	–	354
Total financial assets	2,202	616	–	2,818
2016:				
Financial liabilities:				
Trade and other payables	(14,644)	(2,832)	–	(17,476)
Other financial liabilities	(94)	(1,919)	–	(2,013)
Total financial liabilities	(14,738)	(4,751)	–	(19,489)
Net financial liabilities	(12,536)	(4,135)	–	(16,671)

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

Sensitivity analysis:

	2017 $'000	2016 $'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against US$ with all other variables held constant would have a favourable effect on pre-tax profit of	1,797	1,253
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against JPY with all other variables held constant would have a favourable/(adverse) effect on pre-tax profit of	(5)	413
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against MYR with all other variables held constant would have an adverse effect on pre-tax profit of	(43)	–

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

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

35. Events after the end of the reporting year

Subsequent to year end, the Supratechnic Group shareholding in Scientific Industrial & Instrumentation PL was transferred to USPI Investment Pte Ltd and USP Industrial Pte Ltd holding 0.0001% and 50.999% respectively.

36. Changes and adoption of financial reporting standards

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

FRS No.	Title
FRS 1	Amendments to FRS 1: Disclosure Initiative

(In Singapore Dollars)

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

The new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 January 2017
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019

FRS 115 Revenue from Contracts with Customers effective for annual periods beginning on or after 1 January 2018 replaces FRS 11, FRS 18 and their interpretations (INT FRS 31, 113, 115 and 118). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The management anticipate that FRS 115 will be adopted in the financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Singapore-incorporated companies listed on the Singapore Exchange will be required to comply with new financial reporting standards (to be issued by the Singapore Accounting Standards Council) as identical to the International Financial Reporting Standards for reporting year beginning on after 1 January 2018. Comparative figures are required. The management anticipate that new financial reporting standards will be adopted in the financial statements when they become mandatory. The application of IFRS 1 First-time adoption of IFRS might have a significant effect on amounts reported in the financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

38. Restatements of comparative figures

In 2016, the group acquired Supratechnic and Koon Cheng and a provisional identifiable assets and liabilities were recognised. Subsequent to the finalization of the purchase price allocation, certain restatements made to the fair value of certain assets and liabilities are summarised below:

	After restatement	Before restatement	Difference
	$'000	$'000	$'000
Statements of financial position 31 March 2016			
Property, plant and equipment	41,217	41,217	–
Investment properties	35,762	35,762	–
Intangible assets	2,332	1,996	336
Trade and other receivables	5,502	5,502	–
Deferred tax liabilities	2,723	1,976	747
2016 Statements of profit or loss and other comprehensive income:			
Other gains	17,646	14,389	3,257
Administrative expenses	6,313	6,131	182
Income tax expenses	141	141	–
Statements of changes in equity 31 March 2016			
Other reserves	3,786	3,911	125
Retained earnings	3,376	369	3,007
Non-controlling interests	3,104	2,645	459
2016 Earnings per share	Cents	Cents	Cents
Basic	5.51	0.90*	4.61
Diluted	5.51	0.90*	4.61

* Adjusted for share consolidation on 11 April 2016 consolidating every 10 shares into 1 share.

39. Comparative figures

The financial statements for the reporting year ended 31 March 2016 were audited by other independent auditor (other than RSM Chio Lim LLP) whose report dated 13 September 2016 expressed an unqualified opinion on those financial statements.

SHAREHOLDERS INFORMATION

As at 22 August 2017

SHAREHOLDERS' INFORMATION AS AT 22 AUGUST 2017

Class of shares	:	Ordinary Shares
Number of shares	:	90,922,003
Voting rights	:	One vote for per share
Number of Treasury Shares	:	Nil

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 99	33	1.52	922	0.00
100 - 1,000	561	25.80	363,379	0.40
1,001 - 10,000	1,239	56.99	5,333,535	5.87
10,001 - 1,000,000	330	15.18	16,966,164	18.66
1,000,001 and above	11	0.51	68,258,003	75.07
	2,174	100.00	90,922,003	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Precious Stream Holdings Limited (1)	Nil	Nil	19,966,833	21.96
Weng Huixin (2)	Nil	Nil	19,966,833	21.96
Oon Koon Cheng	13,157,894	14.47	Nil	Nil
Bestway Premium Investments Pte Ltd	7,301,455	8.03	Nil	Nil
Joshua Huang Thien En	4,900,000	5.39	Nil	Nil

Note:

(1) 19,966,833 ordinary shares are beneficially owned by Precious Stream Holdings Limited and in the name of DBS Vickers Securities (S) Pte Ltd.

(2) Madam Weng Huixin is the sole shareholder of Precious Stream Holdings Limited.

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	DBS Vickers Securities (S) Pte Ltd	27,230,173	29.95
2.	Oon Koon Cheng	13,157,894	14.47
3.	Bestway Premium Investments Pte Ltd	7,301,455	8.03
4.	Joshua Huang Thien En	4,900,000	5.39
5.	Kwek Chng Sun Lionel (Guo Zhengsheng)	4,252,920	4.68
6.	Li Hua	3,738,700	4.11
7.	Nah Ee Ling	1,811,632	1.99
8.	Zeng Fuzu	1,799,362	1.98
9.	Raphael Tham Wai Mun	1,460,400	1.61
10.	OCBC Securities Private Ltd	1,377,456	1.51
11.	Eu-Nic Builders Pte Ltd	1,228,011	1.35
12.	Yap Keng Ann (Ye Jingan)	706,382	0.78
13.	Maybank Kim Eng Securities Pte Ltd	631,353	0.69
14.	Phillip Securities Pte Ltd	560,445	0.62
15.	UOB Kay Hian Pte Ltd	548,980	0.60
16.	Citibank Nominees Singapore Pte Ltd	534,094	0.59
17.	DBS Nominees Pte Ltd	476,899	0.52
18.	United Overseas Bank Nominees Pte Ltd	404,989	0.45
19.	Sim Teck Huat	380,200	0.42
20.	Teo Chor Kok	310,000	0.34
		72,811,345	80.08

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

43.87% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **USP GROUP LIMITED** (the "**Company**") will be held at 16A Joo Koon Circle Singapore 629048 on Friday, 29 September 2017 at 9 am 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 2017 ("**FY2017**") together with the Auditors' Report thereon. **(Resolution 1)**

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

Mr Yip Mun Foong James	(Retiring pursuant to Regulation 89)	**(Resolution 2)**
Ms Nah Ee Ling	(Retiring pursuant to Regulation 88)	**(Resolution 3)**
Mr Goh Chong Theng	(Retiring pursuant to Regulation 88)	**(Resolution 4)**

*Mr Yip Mun Foong, James will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. Mr Yip Mun Foong, James will be considered independent for purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

Mr Goh Chong Theng will, upon re-election as a Director of Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. Mr Goh Chong Theng will be considered independent for purposes of Rule 704(8) of the SGX-ST.

3. To approve the payment of Directors' fees of S$200,000 for the year ending 31 March 2018, to be paid quarterly in arrears (FY2017: S$150,000). **(Resolution 5)**

4. To re-appoint RSM Chio Lim LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

AS SPECIAL BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. **AUTHORITY TO ISSUE SHARES UNDER THE PERFORMANCE SHARE PLAN**

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

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

8. **RENEWAL OF SHARE PURCHASE MANDATE**

That:

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

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

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

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

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

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

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

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

(c) in this Resolution:

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

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

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

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

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

where:

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

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

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

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

By Order of the Board

Yoo Loo Ping
Chiang Wai Ming
Company Secretaries

Singapore, 14 September 2017

Explanatory Notes on Resolutions to be passed:

(i) The Ordinary Resolution 7 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

Enhanced Rights Issue Limit

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

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

(ii) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue from time to time such number of fully-paid shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards granted or to be granted under the Share Plan. The aggregate number of shares which may be issued pursuant to the Share Plan and any other share plan which the Company may have in place shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the next Annual General Meeting to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution is set out in the Appendix dated 13 September 2017 to the Annual Report 2017.

Notes:

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

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

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

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

Personal data privacy:

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

USP GROUP LIMITED

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

IMPORTANT

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

PROXY FORM

I/We ______________________ NRIC/Passport/Co. Registration No. ______________

of ____

being a member/members of **USP GROUP LIMITED** hereby appoint

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "**AGM**") of the Company to be held at 16A Joo Koon Circle Singapore 629048 on Friday, 29 September 2017 at 9.00 am and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

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

No.	Resolutions Relating To:	For	Against
AS ORDINARY BUSINESS			
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 March 2017 and the Auditors' Report thereon		
2	Re-election of Mr Yip Mun Foong James as a Director		
3	Re-election of Ms Nah Ee Ling as a Director		
4	Re-election of Mr Goh Chong Theng as a Director		
5	Approval of Directors' fees amounting to S$200,000 for the year ending 31 March 2018		
6	Re-appointment of RSM Chio Lim LLP as Auditors		
AS SPECIAL BUSINESS			
7	Authority to allot and issue shares		
8	Authority to issue shares under the Performance Share Plan		
9	Renewal of Share Purchase Mandate		

Dated this ________ day of ______________ 2017

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes

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

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

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

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

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

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

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

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

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

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

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

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

General

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

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 14 September 2017.

USP Group Limited

USP Group Limited
(Company Registration Number: 200409104W)

38 Beach Road, South Beach Tower #29-11 Singapore 189767
Tel: (65) 6534 3533 Fax: (65) 6362 1839

http://www.uspgroup.com.sg