USP

Company registration number - 200409104W

(Incorporated in Singapore)

Condensed Interim Financial Statements

For the six months ended 30 September 2021

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

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(Incorporated in Singapore)
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CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2021

	Note	Group Six Months Ended		Change %
		30 September 2021	30 September 2020	
		S$,000	S$,000	
Revenue	3	20,373	14,519	40.3
Cost of sales		(12,755)	(9,216)	38.4
Gross profit		7,618	5,303	43.7
Other income/(expense), net	4	592	375	57.9
Selling and distribution expenses		(237)	(224)	5.8
General and administrative expenses		(5,528)	(4,313)	28.2
Finance costs		(510)	(602)	(15.3)
Profit before tax from continuing operations	5	1,935	539	NM
Income tax		(50)	(45)	11.1
Profit after income tax from continuing operations		1,885	494	NM
Discontinued operations				
Profit/(loss) from discontinued operations, net of tax		-	(34)	NM
Profit for the period		1,885	460	NM
Profit/(Loss) for the period attributable to:				
Owners of the Company		1,880	462	NM
Non-controlling interests		5	(2)	NM
		1,885	460	NM

"NM" – Not meaningful

USP Group Limited
(Incorporated in Singapore)
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CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (GROUP AND COMPANY) FOR THE HALF YEAR ENDED 30 SEPTEMBER 2021

	Note	Group S$'000		Company S$'000	
		Unaudited	Audited	Unaudited	Audited
		30 Sept 2021	31 March 2021	30 Sept 2021	31 March 2021
		S$'000	S$'000	S$'000	S$'000
Non-current assets					
Property, plant and equipment	6	24,238	25,144	364	376
Investment properties	7	26,000	26,000	-	-
Investments in subsidiaries		-	-	1,097	1,197
Intangibles	8	460	459	-	-
Deferred tax asset		160	368	-	-
Total non-current assets		**50,858**	**51,971**	**1,461**	**1,573**
Current assets					
Cash and cash equivalents		5,002	4,970	345	350
Trade and other receivables		6,506	5,227	9,919	9,614
Inventories		9,666	9,777	-	-
Total current assets		**21,174**	**19,974**	**10,264**	**9,964**
Total assets		**72,032**	**71,945**	**11,725**	**11,537**
Current liabilities					
Trade and other payables		6,649	5,881	4,431	4,398
Contract liabilities		13	904	-	-
Borrowings		15,798	17,157	123	123
Tax payable		94	82	-	-
Total current liabilities		**22,554**	**24,024**	**4,554**	**4,521**
Non-current liabilities					
Other payables		649	274	-	-
Deferred tax liabilities		1,481	1,481	-	-
Borrowings		23,235	23,772	162	162
Provisions		199	191	-	-
Liabilities for post-employment benefits		-	106	-	-
Total non-current liabilities		**25,564**	**25,824**	**162**	**162**
Total liabilities		**48,118**	**49,848**	**4,716**	**4,683**
Equity attributable to owners of the Company					
Share capital	9	51,172	51,172	51,172	51,172
Treasury shares	10	(99)	(99)	(99)	(99)
Other reserves		4,635	4,701	(355)	(355)
Accumulated losses		(31,780)	(33,665)	(43,709)	(43,864)
Total equity attributable to owners of the parent		**23,928**	**22,109**	**7,009**	**6,854**
Non-controlling interests		(9)	(12)	-	-
Total equity		**23,914**	**22,097**	**7,009**	**6,854**
Total equity and liabilities		**72,032**	**71,945**	**11,725**	**11,537**

USP Group Limited
(Incorporated in Singapore)
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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	Six Months Ended	
	30/09/2021	30/09/2020
	S$'000	S$'000
Operating activities:		
Profit before income tax from continuing operations	1,935	539
Profit/(loss) before income tax from discontinuing operations	-	(34)
Profit before income tax	**1,935**	**505**
Adjustments for:		
Depreciation	1,128	1,013
Fair value gain on quoted securities	-	(130)
Gain on disposal of property, plant and equipment and investment property	-	(54)
Interest income	(34)	(30)
Interest expenses	510	755
Bad debts written off	-	59
Foreign currency translation	285	579
Operating cash flows before working capital changes	**3,824**	**2,697**
(Increase)/Decrease in receivables and prepaid operating expenses	(1,279)	930
(Increase)/Decrease in Inventories	111	(1,170)
Increase in payables	153	701
Cash flows generated from operations	**2,809**	**3,158**
Income tax paid	170	(5)
Net cash flows generated from operating activities	**2,979**	**3,153**
Investing activities:		
Purchase of property, plant and equipment	(146)	(117)
Proceeds from divestment of quoted securities	-	1,036
Interest income	34	30
Net cash flows (used in)/generated from investing activities	**(112)**	**949**
Financing activities:		
Net repayment of financial liabilities	(1,775)	(2,241)
Interest paid, net	(509)	(755)
Net cash flows used in financing activities	**(2,284)**	**(2,996)**
Net increase in cash and cash equivalents	583	1,106
Cash and cash equivalents at beginning of period	1,345	166
Cash and cash equivalents as per statement of financial position	**1,928**	**1,272**
Note (a)		
Cash on hand and at bank	2,395	1,929
Fixed deposits	2,607	2,746
Cash and cash equivalents as per statement of financial position	**5,002**	**4,675**
Less: Fixed deposits pledged	(2,607)	(2,746)
Less: Bank overdraft	(467)	(657)
Cash and cash equivalents at end of period	**1,928**	**1,272**

USP Group Limited
(Incorporated in Singapore)
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CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2021

Group	Share capital	Treasury shares	Other reserves	Accumulated profits/ (losses)	Equity attributable to owners of the Company	Non-controlling interests	Total Equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 April 2021	**51,172**	**(99)**	**4,701**	**(33,665)**	**22,109**	**(12)**	**22,097**
Profit for the period	-	-	-	1,885	1,885	(2)	1,883
Other comprehensive loss for the financial year	-	-	(66)	-	(66)	-	(66)
Balance at 30 September 2021	**51,172**	**(99)**	**4,635**	**(31,780)**	**23,928**	**(14)**	**23,914**
Balance at 1 April 2020	**51,172**	**(99)**	**4,928**	**(32,415)**	**23,586**	**7**	**23,593**
Profit for the period	-	-		460	460	(2)	458
Other comprehensive loss for the financial year	-	-	416	-	416	-	416
Balance at 30 September 2020	**51,172**	**(99)**	**4,928**	**(32,875)**	**24,462**	**5**	**24,467**

Company	Share capital	Other reserves	Accumulated losses	Total Equity
	S$'000	S$'000	S$'000	S$'000
Current quarter – 2Q2022				
Balance at 1 April 2021	**51,172**	**(454)**	**(43,864)**	**6,854**
Profit for the period	-	-	155	155
Balance at 30 September 2021	**51,172**	**(454)**	**(43,709)**	**7,009**
Previous quarter – 2Q2021				
Balance at 1 April 2020	**51,172**	**(454)**	**(38,966)**	**11,752**
Loss for the period	-	-	(454)	(454)
Balance at 30 September 2020	**51,172**	**(454)**	**(39,420)**	**11,298**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

These condensed interim consolidated financial statements as at and for the six months ended 30 September 2021 comprise the Company and its subsidiaries (collectively, the “Group”). The principal activity of the Company is an investment holding company and its subsidiaries’ principal activities are trading and servicing of outboard motors, healthcare equipments and calibration tools, recycling of waste oil and property investment.

2. Basis of Preparation

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

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

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

2.1 New and revised standards

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

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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.2 Critical Accounting Judgments and Estimates

Critical judgments in applying the Group's accounting policies

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

Going concern assumption

As at 30 September 2021, the Group's current liabilities exceeded its current assets by $1,380,000 (31 March 2021: $4,050,000). The Group's significant operations in Singapore and Malaysia were affected by COVID-19 pandemic and it will continue to have an impact on the Group's financial position, financial performance, cash flows and prospects for the foreseeable future. The Group's financial performance was also negatively impacted by the fair value loss on investment properties of $2,000,000 and there is an on-going litigation regarding this investment properties as disclosed in Note 29 (iii).

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

As at 30 September 2021, the Group has outstanding bank loan and trade financing of $4,349,000 (31 March 2021: $4,349,000) and $7,904,000 (31 March 2021: $8,352,000) respectively that were defaulted since 2019 and classified as current liabilities. Nonetheless, the Group has been making constructive repayment for these borrowings. As of the date of this announcement, bank for these borrowings have not issued any demand for immediate repayment.

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.2 Critical Accounting Judgments and Estimates (cont'd)

Key sources of estimation uncertainty

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

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

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

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

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

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

Valuation of inventories

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.2 Critical Accounting Judgments and Estimates (cont'd)

Impairment of non-financial assets

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

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

Fair value measurement for investment properties

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

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

The valuation techniques and significant unobservable inputs used to determine the fair value of the investment properties are further explained in Note 8. No impairment were recognised during the period.

Impairment of investments in subsidiaries

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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. Revenue

	Group	
	H1 2022	H1 2021
	$'000	$'000
Sale and services of marine equipment and accessories	15,577	11,211
Sale and services of scientific and precision equipment	1,582	1,000
Rendering of rental related services	1,426	842
Rental income	753	130
Rendering of marine equipment related services	1,035	1,336
	20,373	14,519
Timing of revenue recognition		
At point in time	18,586	13,053
Over time	1,787	1,466
	20,373	14,519

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

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

4. Profit before taxation

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

	Group	
	H1 2022	H1 2021
	$'000	$'000
Depreciation	**1,237**	1,013
Professional fees	**832**	861
Rental expenses	**270**	209
Staff costs	**1,612**	2,100
Directors' compensation	**161**	-

5. Property, plant and equipment

During the six months ended 30 September 2021, the Group did not make any significant acquisition and disposal.

6. Investment properties

The investment property is mortgaged to secure bank loans and followings are the details of the property:

Description and location	Existing use	Floor area (sqm)	Tenure	Significant unobservable input [1]
182, 184, 186 Woodlands Industrial Park E5, Singapore 757515	Workshops, offices and workers' dormitory	8,560.3	30 years lease commencing 25 April 2007	Price per square foot [1]

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

The fair value of the investment properties located at Woodlands Industrial Park at the end of the reporting period is determined based on the valuation performed by a professional valuer on the properties' highest and best use basis on 30 April 2021 using a direct comparison with recent transactions of comparable properties within the vicinity at the end of the reporting period. The valuer has taken into consideration the prevailing market conditions and have made adjustments for differences between the property and the comparables in terms of locations, size, layout and other factors affecting its value. The current property market is uncertain, and the value of the property and timing of recovery of the property market may be affected by COVID-19 pandemic. This fair value measurement is categorised in the Level 3 of the fair value hierarchy.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7. Intangible assets

Intangible assets of the Group solely comprised of the goodwill from acquisition of Biofuel Research Pte Ltd with the carrying amount of S$459,000. The goodwill has an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. No impairment indicators were identified as at 30 September 2021 based on the CGU's business performance. The Group performed its annual impairment test in 31 March 2021. The key assumptions used to determine the recoverable amount for the CGU were disclosed in the annual consolidated financial statements for the year ended 31 March 2021.

8. Share Capital

	Group and Company			
	2022		2021	
	Number of issued shares '000	**Issued share capital S$'000**	Number of issued shares '000	Issued share capital S$'000
At 1 April	**98,322**	**51,172**	**98,322**	**51,172**
Issuance of shares pursuant to PSP	**–**	–	**–**	–
At 30 September	**98,322**	**51,172**	**98,322**	**51,172**

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

Ordinary Shares

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

Performance Shares

Except for the 7.4 million shares referred to above, there were no performance shares granted as at 30 September 2021 (30 September 2020: Nil).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. Treasury shares

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

Treasury Shares

As of 30 September 2021, the Company has 634,600 treasury shares (30 September 2020: 636,400) as of the end of the reported period.

10. Net asset value

	Group		Company	
	30/09/2021	**30/09/2020**	**30/09/2021**	**30/09/2020**
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	26.37	29.61	7.76	7.59
No. of ordinary shares used in computing net asset value*	90,287,403	90,287,403	90,287,403	90,287,403

**This excludes the 7.4 million shares issued to Dr Lim Boh Soon. See note 9 above.*

11. Loss per share

	Group	
	30/09/2021	**30/09/2020**
(Losses)/profits per ordinary share from the group, after deducting any provision for preference dividends (in SGD cents):		
(a) Based on weighted average number of ordinary shares on issue; and	1.97	0.51
Weighted average number of ordinary shares for basic profits/ (losses) per share computation	90,287,403	90,287,403
(b) On a fully diluted basis	1.97	0.51
Weighted average number of ordinary shares adjusted for the effect for dilution	90,287,403	90,287,403

12. Subsequent event

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

OTHER INFORMATION

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

   The condensed interim consolidated statement of financial position of USP Group Limited and its subsidiaries as at 30 September 2021 and the related condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

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

   Not applicable.

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

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

   REVIEW OF PERFORMANCE (2Q2022 VS 2Q2021)

   Revenue

   Group revenue increased by S$5.9 million from S$14.5 million in 1HFY2021 to S$20.4 million in 1HFY2022 or about 40.3% was mainly due to the contribution of S$4.2 million by the Company's Malaysian subsidiary as a result of clinching new government contracts and increase in market demand around Malaysia and Singapore region. There was also increase in revenue contributions from property investment segment and recycling of waste oil segment of S$285,000 and S$580,000 respectively from 1HFY2021 to 1HFY2022. Marine distributors and dealership segment remain the largest contributors to the revenue of S$16.2 million followed by two other major segments which are properties investment of S$1.6 million and recycling of waste oil of S$1.4 million.

OTHER INFORMATION

REVIEW OF PERFORMANCE (2Q2022 VS 2Q2021)

Cost of sales

The cost of sales of the Group increased by S$3.5 million from S$9.2 million to S$12.7 million was largely due to the increase in stockout and holding costs as a result of delayed in shipping and delivery amidst of the outbreak of Covid-19 pandemic, restraining the resources available on the freight inwards and outwards. Apart from that, the Group has also incurred higher cost of sales due to the increasing price of fuel for transportation in FY2022. As a result thereof, the gross profit margin of the Group in Q1FY2022 has been diluted. However, there was an increase in gross profit margin of 0.9 % from 36.5% in 1HFY2021 to 37.4% in 1HFY2022.

Other Income/(expenses), net

Other income increased by S$217,000 was due to higher foreign exchange gain recognised for the current reported period.

General and Administrative

G&A expenses increased by S$1.2 million (28.2%) from S$4.3 million in 1HFY2021 to S$5.5 million in the current reported period were due to the increase in depreciation of S$224,000 during the current reported period. The remaining increment was contributed by other administrative expenses which is in line with the Group's plan to expand further and is expected to grow further.

Finance Costs

The decrease in finance costs from S$92,000 compared to the 1HFY2021 was mainly due to loan repayment of approximately S$1.8 million to the bank. This will slowly improve on the gearing ratio of the Company by repaying the defaulted loans that was neglected by previous management.

Profit After Tax

The Group reported a profit of S$1.8 million in 1HFY2022 as compared to S$460,000 in 1HFY2021. The improvement of S$1.4 million was mainly due to the improved operating results of Malaysian subsidiary through aggressive marketing. Other segments are recouping and expected to have a stronger financial position in coming years.

Non-Current Assets

The decrease in the fixed assets of Property, Plant and Equipment was mainly due to increase in accumulated depreciation of S$906,000 and deferred tax asset decreased by S$208,000.

Current Assets

Cash increased slightly by S$32,000 whilst trade and other receivables increased by S$1.3 million were due to increase in deposit of S$1.2 million placed with Mercury to allow the Group to increase its purchase credit limit so as to enable the Group to place more order of stocks in order to cope with the increasing trend for the demand for marine equipment in Malaysia and Singapore market. At the same time, inventories decreased by S$111,000 over the same period due to disruption of supply chain as a result of Covid 19 pandemic. Also, FY2022 has been a record-breaking year for the sales of outboard motors and the spare parts for the Group and the Group has been reinvesting the funds received into stock purchase, thereby resulting a lower inventory level and minimal cash inflow in first half of FY2022.

OTHER INFORMATION

REVIEW OF PERFORMANCE (2Q2020 VS 2Q2019)

Current Liabilities

Trade and other payables increased by S$768,000 were offset by decrease in contract liabilities of S$891,000. The decline in contract liabilities was mainly due to decrease in advance payments from customers as most of the sales from FY2021 are most delivered in Q1FY2022. During the period between for 1H FY2022, the Group had managed to reduce its current borrowings by S$1.4 million.

Non-current Liabilities

Long term borrowings decreased by S$537,000 were due to repayment of principle and asset retirement obligations decreased by S$106,000. This was offset by increase in rental deposit of S$375,000 received from the dormitory operation. As at 30 September 2021, the Group had outstanding bank loan and trade financing of S$4,348,000 (31 March 2021: S$4,349,000) and S$7,904,000 (31 March 2021: S$8,352,000) respectively that were defaulted since 2019 and classified as current liabilities.

REVIEW OF FINANCIAL POSITION AND CASH FLOW STATEMENT

Cash Flow

During 2Q FY2022, cash and cash equivalents (after taking into account the effects of currency translation) rose by S$583,000 to S$1.9 million, driven by net cash inflows from operating activities and mostly offset by net cash outflows from investing and financing activities.

Net cash inflows from operating activities amounted to S$2.9 million after accounting for a positive change in working capital of S$3.8 million. The Group has been experiencing higher credit sales in 1HFY2022 which results in an increase in receivables and prepaid operating expenses.

Net cash outflows from investing activities amounted to S$112,000 comprised of the acquisition of property, plant and equipment of S$146,000 and was alleviated by the interest income received of S$534,000.

Net cash outflows from financial activities amounted to S$1.9 million were primarily for the repayment of borrowings and the corresponding interest expense.

OTHER INFORMATION

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

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

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

   Distributorship
   Despite the ongoing Covid-19 pandemic, the Group's marine business continued to outperform itself. The Group will continue to focus its operation in Malaysia and take out necessary measure to reduce its operating expenses in Indonesia.

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

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

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

   Manpower Services
   The Group's newly incorporated subsidiary, Darts Engineering Pte Ltd, has expanded and will continue to expand the Group's engineering capacity in this segment.

OTHER INFORMATION

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

Production of farm feed

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

Current litigations

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

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

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

[1 & 2] *Please refer to Note 9 above for more information*.

(a) In respect of A(1) and B(1), please refer to the Company's announcements dated 20 February 2022 and 25 March 2022.

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

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

OTHER INFORMATION

6. **Dividend information**

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

No Interim Dividend is declared.

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

No.

c) Date payable:

Not applicable

d) Book closure date:

Not applicable.

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

No interim dividend for the half year ended 30 September 2021 (30 September 2020: Nil) is recommended as the Group intends to conserve cash for working capital use.

OTHER INFORMATION

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

   The Company does not have any IPT mandate

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

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

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

    We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the condensed interim financial results for the half year ended 30 June 2021 to be false or misleading in any material aspect.