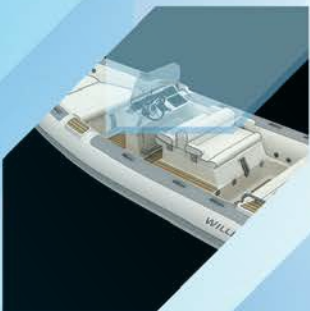


# USP

USP Group Limited

# TOWARDS EXPONENTIAL GROWTH

ANNUAL REPORT 2021



# ABOUT USP

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

The Board carried out a restructuring of the business in 2013 and in 2015, underwent a change of name to USP Group Ltd. To date, the Company has a diversified range of businesses with about 160 staff and net assets of over S\$22 million across 4 countries. Headquartered in Singapore, its core businesses include the distribution of marine engine products, recycling of waste oils, scientific instrumentation/calibration, and property investment and management.

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# CORPORATE MILESTONES

## 2021

- Despite the ensuing Covid-19 pandemic and the difficulties it posed to businesses, the Group continued to beat the trend by its stellar performances.
- The Group incorporated several new subsidiaries to expand its business horizons. A new subsidiary known as "Theme A Investment Holdings Pte. Ltd", facilitates the identifying of and investing in new business opportunities for the Group. One such example of a new business opportunity is the commencement of the Black Soldier Flies farm, of which a successful maiden production trial run had been concluded by Biofuel Research Pte Ltd. Black Soldier Flies farm was commenced with minimum costs and yet has potential for significant revenue.
- Another subsidiary known as "Theme A Properties Pte. Ltd." was incorporated and had obtained CEA - licensed property agency licence to carry out property agency work, both to sell its own properties and to compete for other projects in the open market.
- Other new subsidiaries, namely "Darts Engineering Pte Ltd" and "ThreeOne Recruitant Pte Ltd" have also been formed, pursuant to planning by the Group in 2020. Darts Engineering is led by veterans in the field of industrial support services for the Marine, Oil, and Gas industries, and ThreeOne Recruitant supports Darts for its migrant workers needs for its projects. Together it is expected that these 2 subsidiaries will bring about significant exponential growth in revenue for the Group.
- Dormant and unused plots and premises in the Group are being sold off to curb losses incurred by previous Boards. Together with the revenue raised, the Group had drastically reduced the massive loans incurred by previous Boards. To date, more than \$6 million have been repaid and more will be done to further reduce these debts and loans in the ensuing year.

## 2020

- Ongoing plans to expand the Indonesian markets for the marine engine and boat business - markets identified are Batam and Palembang. Discussions are also ongoing with an institutionalized firm to provide micro-financing for potential clients in Indonesia.
- Managed to return 16 Joo Koon Circle to JTC without any penalties. This unused plot of land is a recurrent liability and expense to the Group.

## 2019

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

## 2018

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

## 2017

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

## 2016

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

## 2015

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

## 2014

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

## 2013

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

## 2007

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

## 2004

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

# CHAIRMAN'S MESSAGE

## DEAR SHAREHOLDERS

I am pleased to share with you that USP Group Ltd has continued in its journey towards substantial growth despite the difficulties posed by the Covid-19 situation.

Whilst many companies and businesses have faltered or ceased during this period, the tremendous efforts of our workers and staff under the able leadership of the Management had beat the trend to enable the Group to continue to produce promising financial results. It is apparent that the woeful days of massive losses in past years are clearly behind us.

## BUSINESS PROSPECTS

Previously we have mentioned that we were planning to extend our reach of Biofuel related activities to the shores of Indonesia and perhaps Malaysia. Discussions are still underway and there should be an update soon.

As for new businesses, we have been able to attract new significant talents to jumpstart new businesses and companies in USP, namely Darts Engineering and ThreeOne Recruitment. Darts provides support services for Marine, Oil and Gas companies. ThreeOne provides recruitment and management of migrant foreign workers, to complement Darts' requirement of foreign workers for its projects. In a short span of time, Darts had received pre-qualification as an approved contractor for key vendors in the Marine, Oil and Gas sectors and are ready to bid for and receive projects.

The Indonesian subsidiary for USP Group Limited had been suffering significant losses in past years and this Management had revamped the entire Indonesian business to curb the losses and to turn the business around. Unnecessary expenditures and costs such as unused, or less than optimal use of large plots of leased properties have been terminated. Unproductive staff and/or suspicious activities have been removed. Now, a well-guarded Batam branch will be the key distribution point for the Indonesian market whilst the former Jakarta business had been reduced to the role of a service branch and for tendering of government projects only. With this move, the losses in Indonesia have been curbed significantly, and we are poised to receive better revenues and profits from the Indonesian market.

There are many other strategic moves carried out by this Management team and I am proud to state that more good news awaits our shareholders.

## APPRECIATION

On behalf of the Board, I wish to extend my heartfelt appreciation to the staff, customers, suppliers, shareholders, all friends, and partners of our Company, for their valuable contribution to our successful journey and an amazing experience.

We believe the legacy of losses suffered by USP is left behind. The Company is about to enter a new phase of sustainable growth. We hope that all shareholders, investors, and staff will continue to grow this business with us, and be able to share this success with us in the coming future.

## DJOHAN SUTANTO

*Non-Executive Chairman*

# BOARD OF DIRECTORS

## MR DJOHAN SUTANTO

*Non-Executive Chairman & Independent Director*

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

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

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

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

## MR TANOTO SAU IAN ERIC

*Chief Executive Officer, Executive Director & Managing Director*

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

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

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

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

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

# BOARD OF DIRECTORS

## MR JOSEPH TAN CHIN AIK

*Independent Non-Executive Director*

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

Awarded a Public Service Commission Scholarship to read law at the National University of Singapore, Mr Tan began serving his bond with the Civil Service from 1991 until 1995 before he was called to the local Bar as an Advocate and Solicitor in 1996.

With more than thirty years of experience in both the public and private sectors gathered, Mr Tan has recently taken a sabbatical from law practice as a veteran lawyer with a view to consider setting up an inter-disciplinary-business. Having handled cases of multiple disciplines and fields, Mr Tan is confident of such a future.

Mr Tan was the founding director of Atkins Law Corporation, former Consultant with Nanyang Law LLC and Fervent Chambers LLC. He was voted into the Council of the Law Society of Singapore in 2007 with his uncompromising stand taken on ethics and corporate governance as a Council Member.

Mr Tan is deeply conversant in the areas of Chinese Intellectual Property and corporate litigation, having been actively immersed and monitoring developments in these fields since 2009, when he began his involvement in China as a member of the China-Asean- Legal-Cooperation- Forum. He believes that the continuing rise of Chinese corporate undertakings globally to be most promising and will be even more significant in the immediate future. With the unabated Chinese interest and trust in having their companies listed in SGX, this premise and poise of theirs will translate to exponential growth and opportunities for local corporations and partnerships for the future.

Mr Tan remains hopeful for the future of enterprising local corporations in Singapore with his uncompromising stand taken on ethics and corporate governance.

## MR CHIA HENG CHIAN

*Independent Non-Executive Director*

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

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

He currently serves as Deputy Chairman of the PES committee of CPA Australia branch, Treasurer for a Canossian School (Hearing Loss), Honorary Auditor for Jade Valley neighbourhood committee in BBECC, member of Rotary Club Sentosa and past President of University of New South Wales, Singapore Chapter.

# BOARD OF DIRECTORS

## **MR ERIC LIM YEW TOU**

*Non-Independent Non-Executive Director*

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Mr Eric Lim Yew Tou has been involved in the basic chemicals business for the last four decades. His experience has covered many aspects of the manufacturing spectrum and involved international chemical companies manufacturing batteries and industrial gases.

Apart from the manufacturing sector, he also oversaw investments in the China and United Kingdom property market.

His current interests lie in the emerging ESG fields of Bio-waste to energy projects as well as impending investments in the world of FinTech.

His military service saw him graduate from the Command and Staff College and he hails from the Singapore University, IMEDE and HBS.

He was also a member of first SAFRA committee under Defence Minister Goh Chok Tong and a founding member of the Singapore France Business council.

# OPERATIONS REVIEW

Although the Covid-19 pandemic has persisted from 2020 to date, causing many businesses to break and fail, USP Group Limited has managed to stay afloat and in fact improve on its past performances. The current Management came on board in Feb 2020 and inherited a period of consecutive losses amounting to S\$30 million in 2 consecutive years from 2019 to 2020. And in about 2 months after taking over the running of the Group, found itself immersed in the Covid-19 pandemic. Despite this, the Management had been able to persuade and lead the staff and workers in the Group to outperform themselves, stemming the tide of massive losses in the past. It managed to bring about 4 quarters of operational profits, and at the end, was let nearly down by a revaluation of its property Koon Cheng Development Pte Ltd ("KCD").

KCD is an industrial property at Woodlands Industrial Park E5 and consists of a dormitory and 2 industrial blocks of offices and shops. KCD has had a permit since December 2014, to house a maximum of 320 foreign migrant workers. Prior to this, it had a permit to house a maximum of 480 workers. Despite this, previous managements were known to have continually overpopulated the dormitory. However, due to recent checks and clampdowns by relevant authorities, the current Management elected to stop this practice and had ensured full compliance with the approved limit of housing up to 320 workers.

In June 2020, a revaluation on KCD was carried out by the current Management. The value of KCD now based on the approved limit of 320 workers, had dropped from the value of S\$32.5 million to S\$28 million, as the valuers took the reduction of number of workers at the dormitory (from 480 workers to 320 workers) into consideration. Subsequently, in April 2021, a further valuation on KCD was carried out. The said further valuation reflected another drop of S\$2 million due to the decreased revenue and the persistent difficult conditions posed by the Covid-19 pandemic. Due to this revaluation loss, the Group has suffered a loss of about S\$1.27 million for FY2021. It is believed that although there were breaches in the approved limit by the previous managements, the revenue in the past years had been properly recorded. Actions have been taken against the relevant person or persons as disclosed in Note 29 (iii) to the financial statements.

Despite this setback, the Group is ready to bounce back and produce even better results in the ensuing year. Backed by the careful streamlining of businesses and expenses, and also massive savings due to systemic pay-cuts supported by the management and staff alike, the Group will forge ahead with its new businesses that have been put in place.

## Marine Business

The Marine business (under Supratechnic Pte Ltd) has continued to be the Group's star performer, accounting for about 78% or more of the Group's revenue. As expected, the performance of this business has been very encouraging. Special mention has to be made of the Malaysian subsidiary which has continued to outperform itself, reinstating itself to be the leading distributor in the whole of the Malaysian peninsula. As for the Indonesian subsidiary which had been incurring losses due to a series of reasons, the Management had taken actions to streamline its operations. The Jakarta office is reduced to an operation for activities relating mostly to only government tenders and operations as a service centre for existing customers. The Indonesian real-time business operations will be now centred from the Batam office.

## Property Investment and Management Business

The Group has identified certain dormant or under-utilised plots of land in Indonesia. As the plot of land has been leased for 5 years, there is no intentions of renewing it. The Jakarta Sunter property is currently in the process of being disposed so that the group can capitalise on its sales to bring about more funds for its businesses.

On top of that, plans are underway for the Group to acquire 31 Shipyard Road at a very reasonable price. This premise was previously occupied by Keppel Corporation Ltd. The plot of land has a relatively new building with a total built-up area of about 70,000 sq ft for office and laboratories, and a workshop and shack of about 20,000 sq ft. The property is a prime water-front property and the Group has offers from certain leading yacht builders and renting companies to use the workshop and shack for their yacht business.

When the acquisition is completed, it is expected that certain subsidiaries will be based here. These include Supratechnic Pte Ltd and Scientific and Industrial Instrumentation Pte Ltd ("SII"). In return, both the premises of these units, namely 16A Joo Koon Circle and Bukit Batok will be sold and funds will be used to reduce the loan exposures of the Group and its subsidiaries, as well for funding of new businesses.



## NEW BUSINESSES

### Theme A Investment Pte Ltd

The newly formed subsidiary, Theme A Investment Holdings Pte Ltd, had been actively involved in the introduction to the Group, new prospective businesses and talent. As a result, exciting new businesses and subsidiaries have been started.

### The Black Soldier Flies (“BSF”) farm

The BSF was started sometimes in 2021 at the premise of Biofuel Research Pte Ltd. The BSF is a form of organic feed (maggots) for fowl and fish farms. The Group has successfully started and grown this farm and are almost ready for the sale and distribution of the feed. In addition, the Group has worked with Nanyang Polytechnic to explore the extraction of Melanin, chitosan and probiotics from the dead soldier flies and the maggots. As the Group understands it, these are very expensive commodities, e.g. Melanin in its raw form costs about a few hundred dollars per gram. Melanin can be used in semiconductors, supercapacitors or batteries, while chitosan possesses anti-inflammatory properties and are used in the manufacturing of pharmaceuticals and cosmetics. More work is expected to be carried out in this direction apart from the growth and distribution of the feed.

### Darts Engineering Pte Ltd (“Darts”) and ThreeOne Recruitant Pte Ltd (“ThreeOne”)

Darts and ThreeOne were incorporated in July 2021. Darts is led by veterans in the field of support services for the Marine, Oil and Gas industries. Their works include repair and fabrication of parts and structures, modules, thermal insulation, scaffolding, blasting and painting, mechanical works and general manpower supply. ThreeOne will support Darts in the arrangement and management of manpower. In a short span of less than 3 months, Darts has been pre-qualified by leading vendors in these industries and is ready to pitch for and receive projects. It is envisaged that Darts will likely contribute significantly to the Group’s revenue in the medium and long term.

### Theme A Properties Pte Ltd

As part of the Group’s property investment and management strategy, this subsidiary was formed to help market the Group’s properties both in Singapore and overseas. It is envisaged that its role will be more pronounced after the Covid-19 pandemic, reaching out to potential investors, owners and developers of land and buildings in Singapore, Jakarta and Malaysia. Presently, its key focus will be the sale of 16A Joo Koon Circle, the Bukit Batok properties, and some under-utilised properties in Jakarta. It is also developing 2 websites -one for marketing of residential properties and the other for marketing of commercial and industrial properties.

# FINANCIAL REVIEW

## Revenue

Group revenue for FY2021 was \$34.1 million. This figure is approximately 13% lower when compared to the Group revenue of \$39.3 million for FY2020.

One reason for the decrease in revenue was due to the sales of development properties. In FY2020, the sales of development properties generated a revenue of \$3.3 million, while in FY2021, there were no sales of development properties.

Another reason is that Supratechnic Pte Ltd experienced a decrease in revenue of \$1.4 million. The key contributing factor for this drop in revenue can be attributed to the decision by the Company to cease all parallel exports. Under previous Management, the Company was breaching the terms of the distribution agreement with Mercury by carrying out parallel export of Mercury engines to other countries not within the contract with Mercury. This activity generated the bulk of the revenue for Supratechnic Pte Ltd then. However, these practices did not conform to the terms and conditions stipulated in the distribution agreement and may expose the Company to liabilities from Mercury. As such, in order to avoid legal implications, the current Management provided instructions to all subsidiaries to enforce strict adherence to the terms and conditions of the distribution agreement. Naturally, the Company suffered in terms of business revenue, but it was assured that it was not exposing itself to any possible legal actions and massive compensations thereafter.

It was also discovered that a significant portion of the revenue was also generated in suspicious circumstances previously, and subsequently could not be collected. These were later classified as bad debts that were written off. One of the suspicious schemes uncovered involved the use of two ex-employees to front a company for export, whereby the revenue remains uncollected to date.

Additionally, the past practice of allowing customers to pay by "instalments" in Malaysia and Indonesia had greatly boosted the previous year's sales. Customers were provided costly equipment when they had made only partial or no payments whatsoever. The failed payments were then later treated as bad debts and written off.

Following the taking over by the current Management, these practices were halted following in-depth reviews and investigations, but this has resulted in a net reduction of \$0.4 million in the marine segment.

Another significant factor contributing to the drop in revenue is that PUB had reduced its supply of waste oils to Biofuel Research Pte Ltd, due to a change in its distribution policy. This has caused a reduction of revenue of about \$0.4 million.

Affected by the persistent difficulties posed by Covid-19 pandemic, and the instability and volatility in the financial markets, sales across most subsidiaries were affected by it. The Group faced a decline of \$0.6 million in sales of scientific and precision equipment from \$2.1 million in FY2020 to \$1.5 million for FY2021.

The final contributing factor was Koon Cheng Development Pte Ltd's drop in revenue which resulted from the Group's strict adherence to the approved limit of housing of a maximum of 320 foreign migrant workers in the dormitory. Previous managements has exceeded the approved limit by housing between 480 to 500 foreign migrant workers.

Notwithstanding the above, the revenue from Supratechnic (M) Sdn. Bhd. bucked the trend. With support from the Group, and concerted efforts from its own management, its revenue increased by \$2.7 million, as it managed to clinch new government contracts.

## Loss for the Year

The Group recorded a loss after tax of \$6.7 million in FY2020. In FY2021, the Group performed well and improved on this, initially showing a profit of about \$0.7 million. However, due to the revaluation of KCD which had to be carried out, the Group registered a loss of \$1.3 million instead due to the drop of \$2 million in the revaluation of KCD. Notwithstanding this, the results are promising as it is apparent that the Group has been able to hold its own and produce such progressive results as compared to \$6.7 million

# FINANCIAL REVIEW

loss in the prior year, and about \$35 million for the past preceding 4 years, despite the ongoing Covid-19 pandemic.

## Assets and Liabilities

### Non-current assets

Non current assets increased from \$46.1 million to \$52.0 million mainly due to \$10.6 million transfer from asset held for sale, and offset by fair value loss of \$2 million from investment property in Woodlands.

### Current assets

Current assets decreased by \$12.4 million as at 31 March 2021 from \$32.3 million as at 31 March 2020 largely due to active measures taken by the Management to clear existing stock, resulting in decline in stock level of \$1.6 million and reclassification of disposal group asset classified as held for sale into continuing operations. In addition, trade receivables reduced from \$6.0 million to \$5.2 million. Coupled by strong efforts to collect back outstanding trade receivables promptly, cash and bank balances increase by \$1.1 million from \$3.8 million. The Management has reviewed third party trade receivables that were overdue for expected credited loss as of 31 March 2021 and this resulted in an impairment of \$0.6 million which was recognised to profit or loss for the current financial year.

### Current liabilities

Current liabilities decreased by \$26.3 million when compared to FY2020. This was mainly due to classification of bank loans as a result of restrictive loan covenants and Biofuel's liabilities classified as held for sale. Both of which were classified as current liabilities as at 31 March 2020. However, the Group has met loan covenant requirements to maintain a minimum consolidated tangible net worth of \$20 million as at 31 March 2021.

### Non-current liabilities

Non-current liabilities increased to \$25.8 million due to same loan covenant reason mentioned in current liabilities.

### Cashflow

The Group operational cashflow recorded a net inflow of \$5.4 million in FY2021 as a result of the changes in working capital in trade and other receivables and inventories.

The Group investing cashflow recorded a net inflow of \$4.0 million as a result of proceeds from disposal of property, plant and equipment and disposal of financial assets at fair value through profit or loss.

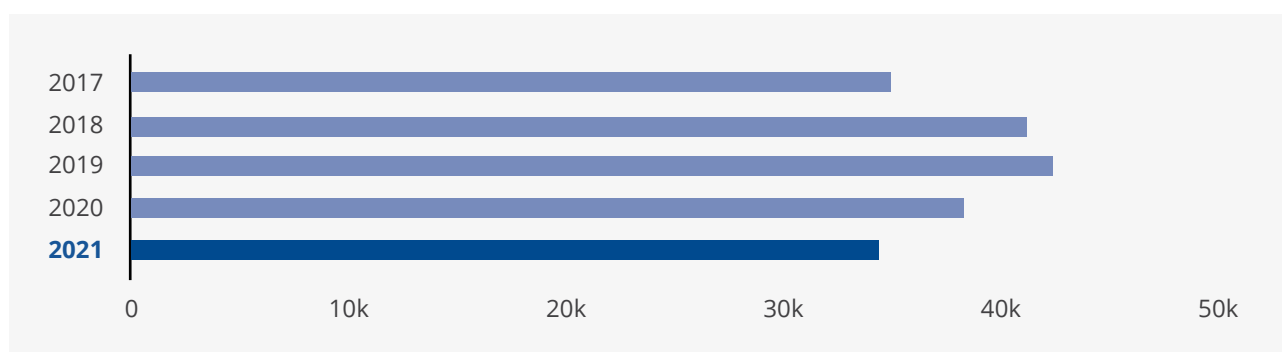
The Group financing cashflow recorded a net outflow of \$8.2 million in FY2021. This was mainly due to the repayment of loan to shareholder and loans and borrowings.

# FINANCIAL HIGHLIGHTS

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

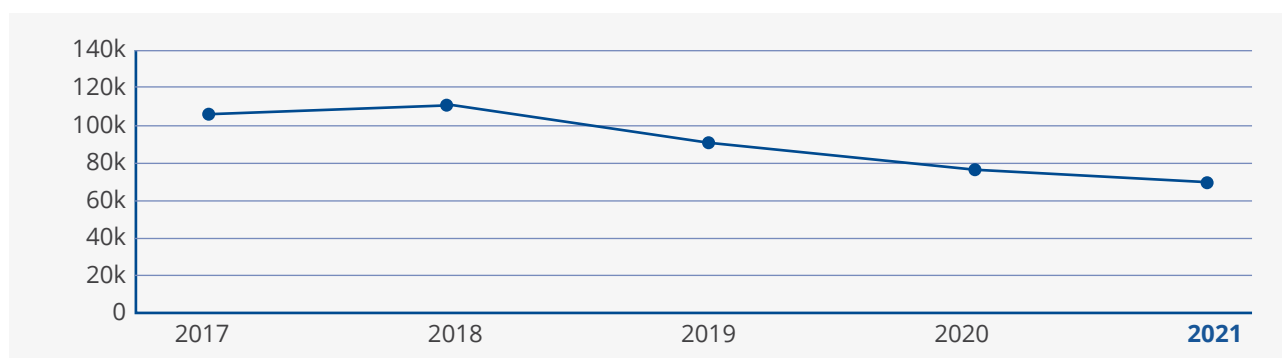
Profit and Loss Statement	FY2017	FY2018	FY2019	FY2020	FY2021
Revenue	36,660	41,974	43,114	39,303	34,077
Gross Profit	15,879	15,318	15,252	13,628	11,840
EBITDA before exceptional item	3,169	1,910	2,120	1,594	4,650
(Loss) / profit for the year	(5,590)	125	(23,182)	(6,650)	(1,269)

## REVENUE



Statement of Financial Position	FY2017	FY2018	FY2019	FY2020	FY2021
Current Assets	27,372	34,756	39,289	32,326	19,974
Current Liabilities	16,470	23,822	54,788	50,335	24,024
Total Assets	105,458	116,054	89,658	78,431	71,945
Total Borrowings	43,291	47,671	48,338	47,958	40,929
Net Assets	53,607	53,720	30,522	23,593	22,097
Net Asset Value per Share (cents)	59.63	59.50	33.57	25.03	22.62

## TOTAL ASSETS



# SUSTAINABILITY REPORT

## 1. BOARD STATEMENT

The Group is pleased to present its Sustainability Report for FY2021, which has been prepared in accordance with the Global Reporting Initiative (“GRI”) Standards – “Core” reporting requirements due to its international recognition and wide adoption. The Group will continue to make improvements to its sustainability efforts and work with its stakeholders towards promoting sustainability in its businesses.

We welcome feedback from all stakeholders. More information about the Group’s profile can be obtained from [www.uspgroup.com.sg](http://www.uspgroup.com.sg). You may send related questions, comments, suggestions or feedback relating to this report to [whistleblow@uspgroup.com.sg](mailto:whistleblow@uspgroup.com.sg).

## 2. STAKEHOLDERS ENGAGEMENT

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

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

KEY STAKEHOLDERS	ISSUES OF CONCERN	ENGAGEMENT CHANNELS	CORRESPONDING SECTION
Customers	<ul style="list-style-type: none"> <li>Customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Company website</li> <li>Feedback by phone</li> <li>Formal process for handling complaints</li> </ul>	<ul style="list-style-type: none"> <li>Customer Experience</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Career development and training</li> <li>Remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Staff meetings</li> <li>Annual appraisals</li> </ul>	<ul style="list-style-type: none"> <li>Training and Development</li> <li>Employment</li> </ul>
Community	<ul style="list-style-type: none"> <li>Environmental protection</li> <li>Contribution to the community</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with applicable laws and regulations</li> <li>Support charity organisations</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Management</li> <li>Community Contribution</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Third party risk management</li> </ul>	<ul style="list-style-type: none"> <li>Website for prospective suppliers</li> <li>Response to supplier inquiries</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>
Government	<ul style="list-style-type: none"> <li>Legitimacy of service and business ethics</li> <li>Employee protection</li> <li>Tax compliance</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with all applicable laws and regulations</li> <li>Ensure that all relevant employees are kept abreast of changes to statutory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Culture of Probity and Honesty</li> <li>Employment</li> </ul>
Investors and shareholders	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Business operations</li> <li>Information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Annual reports and interim reports</li> <li>Press releases</li> </ul>	<ul style="list-style-type: none"> <li>Culture of Probity and Honesty</li> <li>Data Privacy</li> </ul>

# SUSTAINABILITY REPORT

## 3. MATERIALITY ASSESSMENT

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

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

## 4. ECONOMIC

- ECONOMIC PERFORMANCE
- ANTI-CORRUPTION

### ECONOMIC PERFORMANCE

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

For detailed financial results, please refer to the following sections in this FY2021 Annual Report:

- Group Financial Highlights, page 10; and
- Financial Statements, pages 37 to 127.

### ANTI-CORRUPTION

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

Whistle-blow reporting can be sent to [whistleblow@uspgroup.com.sg](mailto:whistleblow@uspgroup.com.sg).

## 5. ENVIRONMENTAL

- ENVIRONMENTAL COMPLIANCE
- COMMUNITY CONTRIBUTION

### ENERGY

During the year, the majority of the Group's energy consumption was attributed to the diesel consumption for vehicles and forklifts and purchased electricity. Approximately 5,119 gigajoules (“GJ”) was consumed during the reporting period, with purchased electricity and diesel accounting for 95% and 5% respectively. The energy intensity was 151 GJ per million SGD revenue. A total of 7.6 tonnes of diesel and 1.3 million kilowatts of electricity were recorded.

# SUSTAINABILITY REPORT

To make continual enhancements on decarbonisation, the Group has implemented relevant initiatives such as reducing the use of electricity where possible. Lights are turned off when the office or meeting rooms are vacant. Power sockets are switched off when desktops or laptops are not in use, in order to avoid unnecessary power flow which would result in gratuitous electricity consumption.

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

## AIR EMISSIONS

The Group emitted directly (Scope 1) and indirectly (Scope 2) greenhouse gases ("GHG") during operations. Direct emissions refer to GHG emissions sourced from diesel combustion of company vehicles and forklifts and refills of refrigerant while indirect emissions involve electricity consumed at operational sites.

The total GHG emissions amounted to approximately 964 tonnes of carbon dioxide ("tCO<sub>2</sub>e") during the reporting period. The carbon emission intensity was 28 tCO<sub>2</sub>e per million SGD revenue. There were about 8 tCO<sub>2</sub>e Scope 1 (direct) and 956 tCO<sub>2</sub>e Scope 2 (indirect) emissions.

## WATER

The business consumed approximately 52,706 cubic metres of municipal water for industrial uses during the reporting period and its intensity was about 1,550 cubic metres per million SGD revenue. There were no issues on sourcing of water during this period.

## PACKAGING MATERIALS

Film wrap is the major packaging material consumed in the Group's operations. During the reporting period, the Group used 120 rolls of film wrap. The intensity was approximately 4 rolls per million SGD revenue. The Group is dedicated to replace cardboard on pallets with wrap for delivery as commitment to annual reduction.

## WASTE

So far, the Group only generated 60 tonnes of non-recycled domestic waste (non-hazardous) and the emission intensity was about 2 tonnes per million SGD revenue. The Group will strive towards zero wastage in the near future.

## 6. SOCIAL

- HUMAN CAPITAL MANAGEMENT
- OCCUPATIONAL HEALTH AND SAFETY
- COMMUNITY CONTRIBUTION

### HUMAN CAPITAL MANAGEMENT – EMPLOYMENT AND DIVERSITY

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

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

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

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

# SUSTAINABILITY REPORT

## HUMAN CAPITAL MANAGEMENT – GROWTH AND DEVELOPMENT

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

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

One of the Group’s subsidiaries, Supratechnic Pte Ltd, successfully applied to be a Certified On-the-Job Centre under the Institute of Technical Education’s Certified On-the-Job Training Centres Scheme (“COTJC Scheme”) on 17 December 2021.

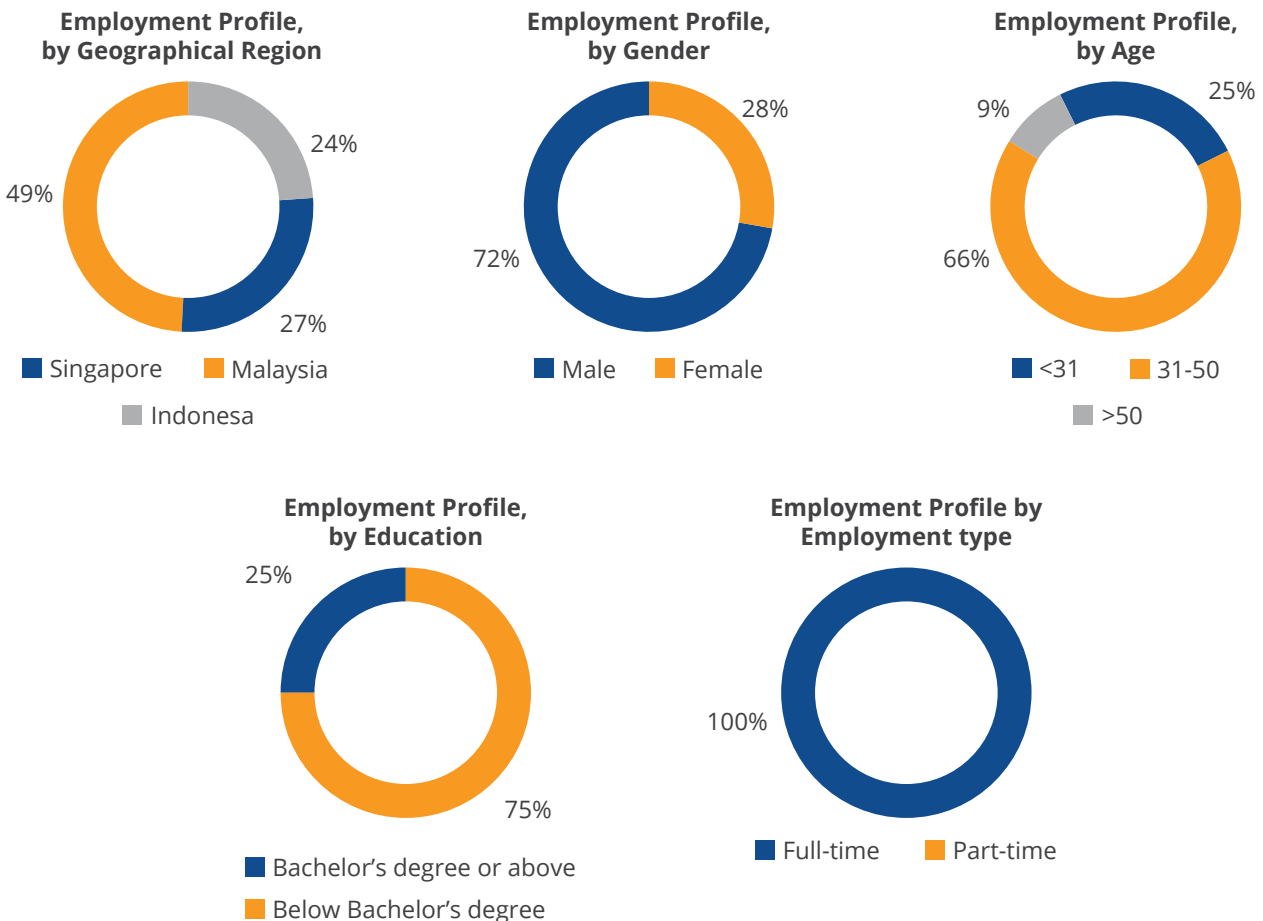
Under the COTJC scheme, training programs will be able to develop, enhance, recognise and retain the core engineering and technical competencies of Out-Board Motor maintenance and repair service team.

The COTJC scheme will be able to align On-the-Job (“OTJ”) practices with industry standards and streamline its training administration to grow and meet employees’ capabilities and training needs. Employees will also be kept informed of ITE’s Continuing Education and Training courses for lifelong learning and skills upgrading.

The Group is looking forward to working closely with ITE to build a smooth, structured and effective OTJ system

## WORKFORCE PROFILE

As of 31 March 2021, there were a total of 162 employees. 44 of them are based in Singapore, 79 in Malaysia and 39 in Indonesia. The ratio of male to female is approximately 3:1. The majority of the employees are in the age group 31-50, accounting for half of the entire workforce.





# SUSTAINABILITY REPORT

The Group's overall employee turnover and new hire rates were 10% and 26% respectively during the reporting period.

During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and anti-discrimination.

## OCCUPATIONAL HEALTH AND SAFETY

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

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

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

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

## COMMUNITY CONTRIBUTION

As part of its corporate social responsibility initiatives to support families in Malaysia and Indonesia, who have been heavily affected by the Covid-19 pandemic, the Group has on 15 July 2021 through its subsidiary, Supratechnic (Malaysia) Sdn Bhd ("Supra Malaysia") tied up with Lions Club of Damansara Kuala Lumpur and Lions Clubs of Jakarta Ruby Prima to donate food and other necessities to families in Malaysia and Indonesia who have been affected by the economic crisis.

The Group recognises that the Covid-19 Pandemic has caused the world's economy to plummet and many families in Malaysia and Indonesia are struggling to put food on the table. The Group hopes to provide support and assistance to these families during these difficult times.

The distribution of food and other necessities to the families in Malaysia had taken place on 23 July 2021.

Supra Malaysia will continue to liaise with Lions Club Jakarta and Lions Club KL to provide the necessary support and assistance to the families in Malaysia and Indonesia.

## 7. GOVERNANCE

### - CORPORATE GOVERNANCE

The Board acknowledges the importance for the Group to adopt and continuously practise good corporate governance throughout the Group's operations to ensure accountability and transparency, as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group. Please refer to Corporate Governance Report set out on pages 19 to 36 of our FY2021 Annual Report for further details on the Group's corporate governance practices.

# SUSTAINABILITY REPORT

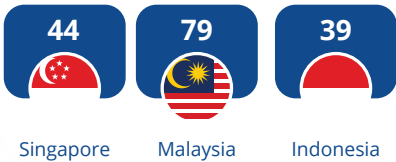
## 8. PERFORMANCE DATA SUMMARY

### WORKPLACE DEMOGRAPHICS

#### TOTAL HEADCOUNT

162

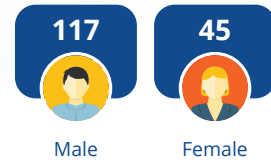
##### BY GEOGRAPHICAL DISTRIBUTION



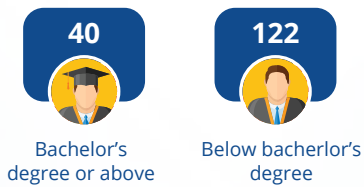
##### BY AGE



##### BY GENDER



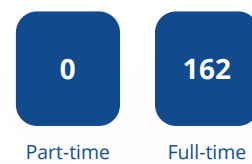
##### BY EDUCATIONAL LEVEL



##### BY FUNCTION

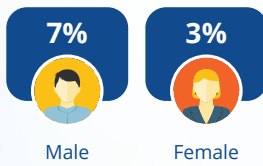


##### BY EMPLOYMENT TYPE

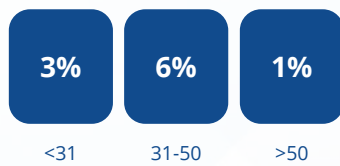


#### EMPLOYEES' TURNOVER RATE - 10%

##### BY GENDER

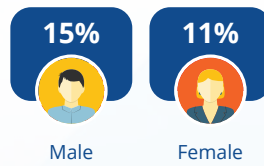


##### BY AGE

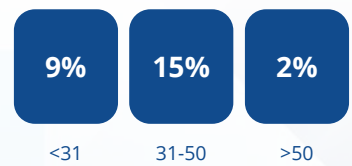


#### EMPLOYEES' NEW HIRE RATE - 26%

##### BY GENDER



##### BY AGE



### EMPLOYEE TRAINING

#### TOTAL HOURS OF TRAINING HOURS

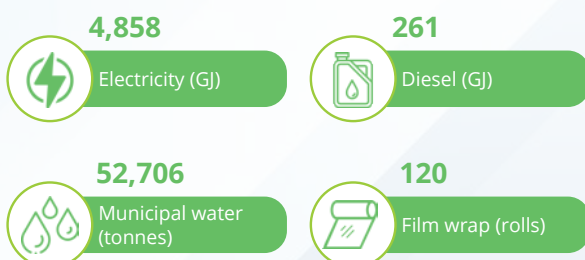
272

##### BY GENDER

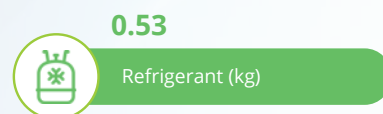


### ENVIRONMENT

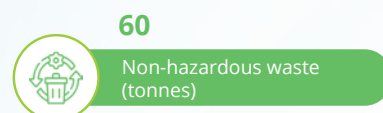
#### TOTAL RESOURCES CONSUMPTION



#### EMISSIONS



#### WASTE



# CORPORATE INFORMATION

## DIRECTORS

**Mr Djohan Sutanto**

*(Non-Executive Chairman and Independent Director)  
(appointed on 11 August 2020)*

**Mr Tanoto Sau Ian**

*(CEO, Executive Director and Managing Director)  
(appointed on 20 February 2020)*

**Mr Joseph Tan Chin Aik**

*(Independent Non-Executive Director)  
(appointed on 23 December 2020)*

**Mr Chia Heng Chian**

*(Independent Non-Executive Director)  
(appointed on 23 December 2020)*

**Mr Eric Lim Yew Tou**

*(Non-Independent Non-Executive Director)  
(appointed on 8 September 2021)*

## AUDIT AND RISK MANAGEMENT COMMITTEE

**Mr Chia Heng Chian (Chairman)**

**Mr Djohan Sutanto (Member)**

**Mr Joseph Tan Chin Aik (Member)**

## NOMINATING COMMITTEE

**Mr Djohan Sutanto (Chairman)**

**Mr Tanoto Sau Ian (Member)**

**Mr Joseph Tan Chin Aik (Member)**

## REMUNERATION COMMITTEE

**Mr Joseph Tan Chin Aik (Chairman)**

**Mr Djohan Sutanto (Member)**

**Mr Chia Heng Chian (Member)**

## COMPANY SECRETARIES

**Mr Tan Wee Sin**

### REGISTERED OFFICE

1 Harbourfront Avenue  
#14-07  
Keppel Bay Tower  
Singapore 098632  
Telephone: (65) 6261 8198  
Email address: [enquiries@uspgroup.com.sg](mailto:enquiries@uspgroup.com.sg)  
Website address: <http://www.uspgroup.com.sg>

### SHARE REGISTRAR

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

### AUDITOR

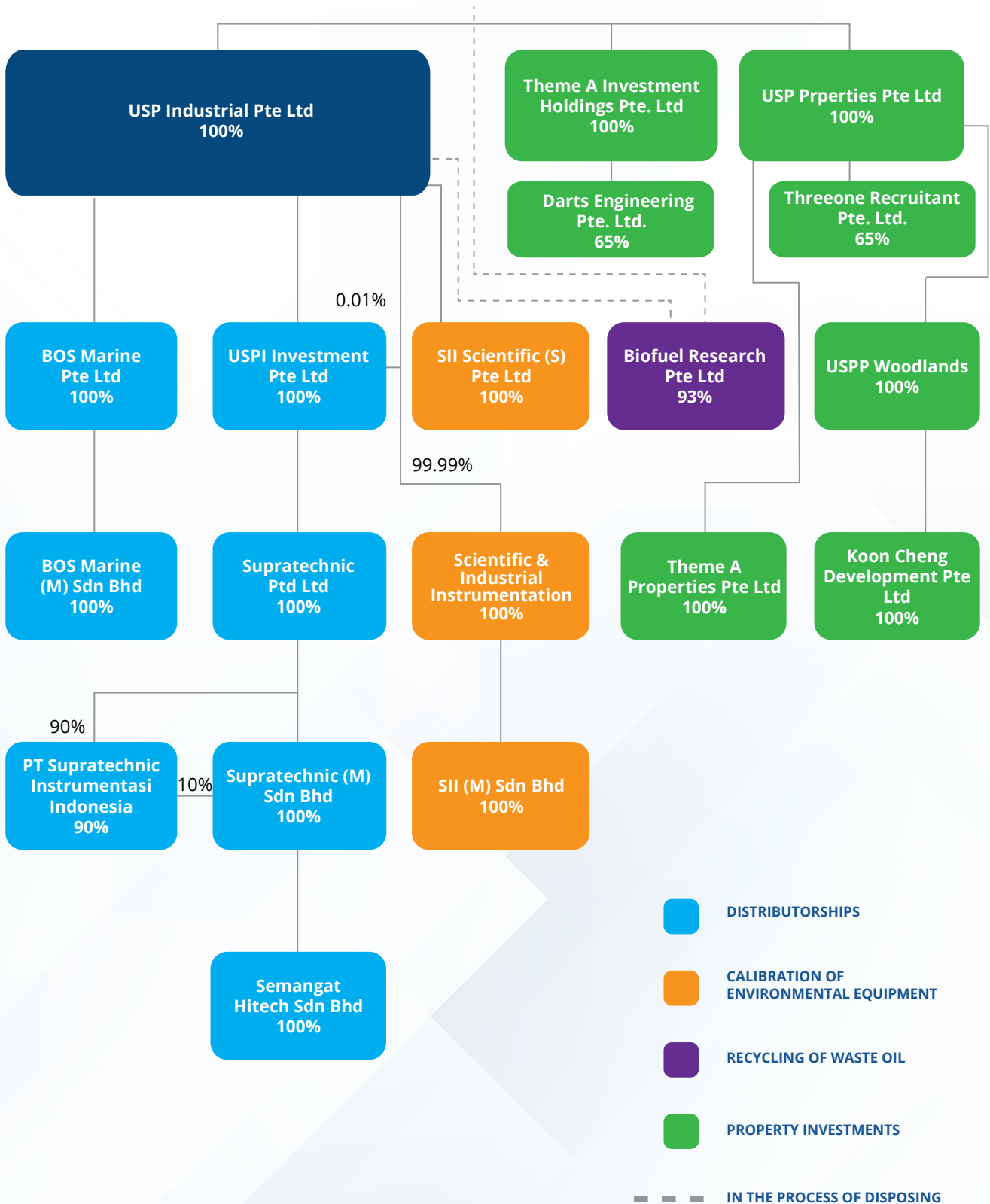
Baker Tilly TFW LLP  
Partner-in-charge: Ms Foong Chooi Chin (since FY2021)

### PRINCIPAL BANKERS

United Overseas Bank Limited  
Malayan Banking Berhad

# CORPORATE STRUCTURE

## USP USP Group Limited



# REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "Board") of USP GROUP LIMITED ("USP Group" or the "Company") is committed to maintaining high standards of corporate governance within the Company and its subsidiaries (collectively, the "Group") by adopting and complying, where possible, with the Principles and Provisions of the Code of Corporate Governance 2018 (the "Code").

The Group recognises that good governance processes are essential for enhancing corporate sustainability. This report describes the corporate governance framework and practices of the Group that were in place throughout the financial year ended 31 March 2021 ("FY2021"), with reference to the Code. The Board confirms that it has generally adhered to the Principles and Provisions of the Code where they are applicable, relevant and practicable to the Group. Any deviations from the Provisions of the Code as well as how the practices adopted by the Group are consistent with the intent of the relevant principles have been explained accordingly.

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

## (A) BOARD MATTERS

### The Board's Conduct of Affairs

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

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

The Board oversees the Group's overall strategic plans, key operational initiatives, major funding and investment/divestment proposals, financial performance reviews and corporate governance practices. The Group has adopted internal guidelines setting out matters reserved for the Board's approval. Within these guidelines, the Board approves transactions that exceed certain thresholds. Board's approval is required for other matters including, *inter alia*, corporate restructuring, mergers and acquisitions, investments and divestments, acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptances of bank facilities, annual budget, release of the Group's quarterly and full year's results and interested person transactions.

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

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

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

Directors are kept informed of the applicable laws, rules and regulations, as well as changing commercial risks, from time to time. Relevant updates, news releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Accounting and Corporate Regulatory Authority ("ACRA") will also be circulated to the Board for information.

# REPORT ON CORPORATE GOVERNANCE

Newly appointed Directors would be briefed on the business activities and the strategic direction and policies of the Group. Directors would also have the opportunity to meet with the Management to gain a better understanding of the Group's business operations. Any newly appointed Director who does not have prior experience of a Director of a listed company in Singapore, will undergo mandatory training pursuant to Rule 210(5)(a) of Listing Manual of the SGX-ST in the roles and responsibilities of a listed company director.

To date, all Directors had attended the Listed Entity Director Essentials conducted by Singapore Institute of Directors to equip themselves with the knowledge required of Directors of listed entities. The Company was responsible for arranging and funding the training of Directors.

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

Details of Board and Board Committees Meetings held during FY2021 and the attendance of each Director are summarised in the table below:

Meetings	Board	ARMC	NC	RC	AGM	EGM
<b>Total held in FY2021</b>	5	5	1	1	1	1
<b>Directors</b>	<b>No. of Meetings attended in FY2020</b>					
Tanoto Sau Ian <sup>(1)</sup>	5	4	1	1	1	1
Low Chee Chiew <sup>(2)</sup>	1	3	1	1	-	1
Tan Wee Peng Kelvin <sup>(2)</sup>	1	3	1	1	-	1
Djohan Sutanto <sup>(3)</sup>	5	4	1	-	1	-
Yip Shee Yin <sup>(4)</sup>	4	3	1	1	-	-
Lam Fong Kiew <sup>(5)</sup>	3	1	-	-	-	-
Joseph Tan Chin Aik <sup>(6)</sup>	1	1	-	-	1	-
Chia Heng Chian <sup>(7)</sup>	1	1	-	-	1	-
Lee Kwang Ping <sup>(8)</sup>	-	-	-	-	-	-
Lim Yew Tou Eric <sup>(9)</sup>	-	-	-	-	-	-

<sup>(1)</sup> Appointed on 20 February 2020

<sup>(2)</sup> Appointed on 20 February 2020 and resigned on 30 September 2020

<sup>(3)</sup> Appointed on 11 August 2020

<sup>(4)</sup> Appointed on 11 August 2020 and resigned on 21 December 2020

<sup>(5)</sup> Appointed on 8 October 2020 and resigned on 22 December 2020

<sup>(6)</sup> Appointed on 22 December 2020

<sup>(7)</sup> Appointed on 22 December 2020

<sup>(8)</sup> Appointed on 2 July 2021 and resigned on 29 September 2021

<sup>(9)</sup> Appointed on 8 September 2021

# REPORT ON CORPORATE GOVERNANCE

The Management endeavours to furnish the Board with information concerning the Group prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities. Directors may request explanation, briefing or discussion on any aspect of the Group's operation or business from the Management. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

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

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

## BOARD COMPOSITION AND GUIDANCE

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

The Board currently comprises five (5) Directors, three of whom are Independent Directors. The Independent Directors make up a majority of the Board. The Chairman of the Board is independent.

The composition of the Board is as follows:

Mr Djohan Sutanto (Independent Non-Executive Chairman)  
Mr Tanoto Sau Ian (Executive Director, Managing Director and Chief Executive Officer)  
Mr Joseph Tan Chin Aik (Independent Non- Executive Director)  
Mr Chia Heng Chian (Independent Non-Executive Director)  
Mr Lim Yew Tou Eric<sup>(1)</sup> (Non-Independent Non-Executive Director)

<sup>(1)</sup> Appointed on 8 September 2021

Key information regarding the Directors is set out on pages 3 to 5 of this Annual Report.

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

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

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

As a Group, the current members of the Board bring with them a broad range of expertise in areas such as accounting, finance, legal, investment, business, industrial and enterprise management experience as well as familiarity with regulatory requirements which provides core competencies necessary to lead and govern the Group effectively. Each Director has been appointed based on the strength of his calibre and experience. The Directors' objective judgment, collective experience and knowledge are invaluable to the Group and allow for the useful exchange of ideas and views. There is no alternate Director on the Board.

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

# REPORT ON CORPORATE GOVERNANCE

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

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

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

The Independent Directors exercise no management function in the Group.

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Mr Djohan Sutanto was appointed as the Company's Independent Non-Executive Chairman on 21 August 2020. As the Chairman of the Board, Mr Sutanto assumes responsibility for the smooth functioning of the Board and ensures timely flow of information between the Management and the Board, sets agenda and ensures allocation of adequate time for discussion of all agenda items, in particular strategic issues, promotes a culture of openness and debate at the Board and promotes high standards of corporate governance.

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

Mr Tanoto Sau Ian was subsequently appointed as the Managing Director on 26 November 2021 upon the Board's review of Mr Tanoto's performance and contribution as the Company's Executive Director and CEO.

The Chairman of the Board and the CEO are two (2) separate persons to ensure an appropriate balance of power and authority and greater capacity of the Board for independent decision.

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



# REPORT ON CORPORATE GOVERNANCE

## BOARD MEMBERSHIP

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

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

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

- (a) Mr Djohan Sutanto (Chairman)
- (b) Mr Tanoto Sau Ian (Member)
- (c) Mr Joseph Tan Chin Aik (Member)

The principal functions of the NC in accordance with its TOR are set out as follows:

- (a) review and recommend to the Board the structure, size and composition of the Board and Board Committees;
- (b) determine the process to search for, nominate, select and appoint new Board members and assessing potential nominees or candidates for appointment and re-appointment to the Board;
- (c) review and make recommendations to the Board on the appointments of all Board members, 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 ensure the effectiveness of the Board;
- (h) review succession plans, in particular, the Chairman and CEO;
- (i) oversee the induction, orientation and training for any new and existing Directors; and
- (j) review training and professional development programs for the 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 their skills, knowledge and experience, as well as assessment of their suitability.

The curriculum vitae and other particulars/documents of the potential 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 the newly appointed Non-Executive Directors will be provided with letters of appointment, setting out the Directors' duties and obligations, as well as the terms of their appointment.

# REPORT ON CORPORATE GOVERNANCE

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

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

The NC had recommended to the Board that Mr Lim Yew Tou Eric and Mr Chia Heng Chian shall retire pursuant to Articles 88 and 89 of the Company's Constitution respectively and each be nominated for re-election at the forthcoming AGM.

The Board had accepted the NC's recommendation. Mr Lim Yew Tou Eric and Mr Chia Heng Chian have consented to act and offered themselves for re-election.

Please refer to pages 130 to 132 of the Annual Report for the detailed information on the Directors who are being nominated for re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

All Directors are required to declare their board representations and any changes thereof to the Company.

A Director with multiple board representations is expected to ensure that sufficient time and attention are given to the affairs of the Group. The NC, having considered the Non-Executive Directors' attendance and contributions at meetings of the Board and Board Committees, is of the view that such multiple board representations do not hinder the Directors from carrying out their duties in the Company. The Board concurs with the view of the NC that sufficient time and attention have been accorded by these Directors to the affairs of the Company, it would not be necessary to prescribe a maximum number of listed company board representations a director may hold.

## BOARD PERFORMANCE

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

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

In line with Principle 5 of the Code, performance evaluation of the Board, ARMC, RC and NC to assess their effectiveness for FY2021 was initiated in April 2021. The objective of the performance evaluation exercises was to uncover strengths and challenges so that different Board Committees are in a better position to provide the required expertise and oversight. These performance evaluation exercises were carried out by having the Board Committee members to complete and return a questionnaire.

## (B) REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

**Principle 6:** *The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel ("KMP"). No Director is involved in deciding his or her own remuneration.*

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

- (a) Mr Joseph Tan Chin Aik (Chairman)
- (b) Mr Djohan Sutanto (Member)
- (c) Mr Chia Heng Chian (Member)

# REPORT ON CORPORATE GOVERNANCE

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

- (a) recommend to the Board a framework of remuneration for the Board and Key Management Personnel (“KMP”) of the Group and to determine specific remuneration packages and terms of employment for each Director and KMP with the aim of building a capable and committed Board and Management through competitive compensation which is sufficient to attract, retain and motivate KMP of the required calibre to run the Company effectively;
- (b) consider all aspects of remuneration of the Executive Director(s) and KMP including their contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance;
- (c) review and recommend Directors’ fees for Non-Executive Directors, taking into account factors such as their effort, time spent, duties and responsibilities; and
- (d) review whether the Executive Director(s) and KMP should be eligible for benefits under any long-term incentive schemes which may be set up from time to time. If required, the RC will seek expert advice inside or outside the Company on remuneration of all Directors.

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

## LEVEL AND MIX OF REMUNERATION

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

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

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

The Company had entered into service agreement dated 20 February 2020 with Mr Tanoto Sau Ian, Executive Director and CEO for an initial period of three (3) years from his appointment date to be automatically renewed on a yearly basis thereafter. The said service agreement was superseded by a subsequent service agreement dated 8 December 2021 (“Service Agreement”) to appoint Mr Tanoto as the Company’s Managing Director, Executive Director and Chief Executive Officer for a period of five (5) years from appointment date, which will be renewed pursuant to written notice given by the Company or Mr Tanoto. The Service Agreement may be terminated by three (3) months’ notice in writing by either party and does not contain onerous removal clauses.

The RC is of the view that the current remuneration of the Non-Executive Directors is appropriate, taking into account factors such as effort, time spent, duties 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\$241,527.12 as Directors’ fees for the financial year ended 31 March 2022. This includes fees of past directors.

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

# REPORT ON CORPORATE GOVERNANCE

## DISCLOSURE ON REMUNERATION

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

A breakdown showing the level and mix of remuneration of each Director and KMP in bands of S\$250,000 for FY2021 is set out below:

Remuneration Bands and Name of Director and CEO	Fees %	Salary %	Bonus %	Other benefits %	Total %
<b>From S\$250,000 to S\$500,000</b>					
Tanoto Sau Ian*	-	55	39	6	100
<b>Below S\$250,000</b>					
Low Chee Chiew	100	-	-	-	100
Tan Wee Peng Kelvin	100	-	-	-	100
Djohan Sutanto	100	-	-	-	100
Yip Shee Yin	100	-	-	-	100
Lam Fong Kiew	100	-	-	-	100
Joseph Tan Chin Aik	100	-	-	-	100
Chia Heng Hian	100	-	-	-	100
Lee Kwang Ping	-	-	-	-	-
Lim Yew Tou Eric	-	-	-	-	-

\* Note: Mr. Tanoto Sau Ian is also a substantial shareholder of the Company.

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

Remuneration Bands and Name of Key Management Personnel	Fees %	Salary %	Bonus %	Other benefits %	Total %
<b>Below S\$250,000</b>					
Teong Hwee Ting <sup>(1)</sup>	-	85	-	15	100
Aileen Oh Ai Li <sup>(2)</sup>	-	87	-	13	100

<sup>(1)</sup> Appointed as Group Financial Controller on 16 November 2020.

<sup>(2)</sup> Appointed as Group Legal Counsel on 23 November 2020.

Notwithstanding Provision 8.2 of the Code, there were two (2) KMPs (who are not Directors or the CEO) during FY2021. In view of sensitivity and confidentiality of remuneration, the Management opined not to disclose the aggregate total remuneration paid to the KMPs for FY2021. Further, the competition for talent in the industry is very keen and it is important that the Company retains its competent and committed staff to ensure the stability and continuity of business and operations of the Group.

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

Other than Mr Tanoto Sau Ian, the Company does not have employee who is a substantial shareholder of the Company or immediate family members of a Director, the CEO or a substantial shareholder and whose remuneration exceeds S\$100,000 during FY2021.

# REPORT ON CORPORATE GOVERNANCE

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

- (a) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;
- (b) to provide an opportunity for participants of the PSP to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;
- (c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and
- (d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

The RC is responsible for the administration of the PSP.

There were no shares awarded under the PSP during FY2021. Details of PSP can be found on page 39 under the Directors’ Statement of this Annual Report.

## **(C) ACCOUNTABILITY AND AUDIT**

### **RISK MANAGEMENT AND INTERNAL CONTROLS**

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

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

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

The ARMC has assessed that it is in the best interest of the Group to outsource its internal audit function. The Group has appointed MS Risk Management Pte Ltd for its internal audit for the financial year ending 31 March 2022 (“FY2022”) on 4 February 2022.

The Group’s External Auditors (“EA”), Baker Tilly TFW LLP had in the course of their statutory audit performed review on the Group’s internal controls on matters which came to their attention and highlighted the significant deficiencies in internal control to the ARMC and Board. It was noted that the issues highlighted by the EA do not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made.

The Board has obtained assurance from:

- (i) the CEO and the Group Financial Controller (“GFC”) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company’s operations and finances;

# REPORT ON CORPORATE GOVERNANCE

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

The present Board had appointed MS Risk Management Pte Ltd as the Group's Internal Auditors ("IA") on 19 January 2021 for the conduct of internal audit for FY2021 with a primary focus for Year 1 on Indonesia after deliberating various options in view of the cases of fraud which was uncovered by the current Management.

With the appointment of IA, various controls have been put in place and maintained by the current Management. The review performed by EA, the Management, the Board, together with the ARMC, will enhance the adequacy and effectiveness of the internal controls and risk management system of the Group moving forward including financial, operational, compliance and information technology controls.

The internal auditors will report directly to the ARMC and is independent from the day-to-day operations of the Group. The internal and external auditors work alongside the Management, to assist the ARMC in reviewing the adequacy of the internal controls, through regular evaluation of the Group's internal controls, financial and accounting policies and risk management policies and procedures.

The internal auditors plans its internal audit schedule in consultation with the ARMC but independent of Management. The internal audit plan is submitted to the ARMC for approval prior to the commencement of the internal audit. The ARMC reviews the activities of the internal auditors, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified. The ARMC will also review the adequacy and effectiveness of the internal audit function.

The ARMC approves the evaluation and compensation of the auditing firm to which the internal audit function is outsourced. The internal auditors has unfettered access to all the Group's documents, records, properties and personnel, including access to the ARMC.

The ARMC reviews the internal audit plans and ensures that the internal audit has been carried out effectively.

The internal auditors has adopted the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors and the ARMC opined that the internal audit function is independent, effective and adequately resourced.

## On-going lawsuits

Please refer pages 99 to 102 of Annual Report.

## AUDIT COMMITTEE

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

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

- (a) Mr Chia Heng Chian (Chairman)
- (b) Mr Djohan Sutanto (Member)
- (c) Mr Joseph Tan Chin Aik (Member)

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

# REPORT ON CORPORATE GOVERNANCE

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

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

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

- (a) review significant financial reporting issues and judgments to ensure integrity of the financial statements of the Company; and any announcements relating to the Company's financial performance;
- (b) review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties) and review and approve the statements to be included in the annual report concerning the effectiveness of the Company's internal control and risk management systems;
- (c) review and approve the hiring, removal, evaluation and compensation of the internal audit function including ensuring it is staffed with persons with the relevant qualifications and experience. The internal auditor should carry out its function according to the standards set by nationally or internationally recognized professional bodies including the standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors;
- (d) review annually the scope and results of the external audit, its cost effectiveness as well as the independence and objectivity of the external auditors, the aggregate amount of fees paid to the external auditors for the financial year and the breakdown of the fees paid in total for audit and non-audit services respectively;
- (e) make recommendations to the Board on proposals to shareholders on the appointment, re-appointment, resignation and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (f) review with the internal and external audit plan, including the nature and scope of the audit before the audit commences, evaluation of the system of internal controls, audit report, management letter and the Management's response;
- (g) meet with the external and internal auditors without the presence of the Management, at least annually, to discuss any problems and concerns they may have;
- (h) where deficiencies in internal controls have been identified, ensure that appropriate and prompt remedial action is taken by the Management;
- (i) review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- (j) review interested person transactions ("IPTs") falling within the scope of the SGX-ST's Listing Manual on a quarterly basis (including transactions that fall within the scope of Rule 912, i.e. the review and approval of proposed sale(s) of any units of property projects to the Company's interested persons and/or relatives of a director, chief executive officer or controlling shareholder, where applicable);

# REPORT ON CORPORATE GOVERNANCE

- (k) review the quarterly and full year financial statements of the Group before submission to the Board for approval, focusing in particular, changes in accounting policies and practices to ensure compliance with accounting standards, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with stock exchange and statutory/regulatory requirements and any significant financial reporting issues and judgments so as to ensure the integrity of the financial statements;
- (l) advise the Board on the Group's overall risk tolerance and strategy, oversee and advise the Board on the current risk exposures and strategy as well as future risk strategy of the Group;
- (m) review the policy and arrangements by which staff of the Company or of the Group may, in confidence, raise their concerns about possible improprieties in matters of financial reporting or any other matters and, conduct an independent investigation of such matters for appropriate follow up action pursuant to the Company's whistle-blowing program; and
- (n) investigate any matter within its TOR, with full access to and co-operation by the Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The Group has put in place a Whistle-Blowing Program (the "Program") whereby staff may in confidence, raise their concerns about possible improprieties in matters of financial reporting or other matters. The objective of the Program is to ensure that process is in place, for the independent investigation of such concerns and for appropriate follow-up actions to be taken. There was no whistle-blowing report received during FY2021.

For FY2021, the ARMC members have:

- (i) reviewed the external audit plan, including the nature and scope of the external audits before commencement of the audit.
- (ii) reviewed the report from the EA, including their findings and discussions with the Management on significant risks, their management letter and the Management's response.
- (iii) reviewed and approved financial statements for FY2021. During the process, the ARMC reviewed the key areas of critical judgments and key estimates applied for key financial issues including going concern assumption, valuation of inventories, fair value measurement of investment properties, allowance for impairment loss for financial assets at amortised cost, measurement of impairment of investment in subsidiaries and impairment of non-financial 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 EA, including their findings on the significant risks and audit focus areas. Significant matters were discussed with Management and the external auditors.
- (iv) reviewed the risk factors and mitigation controls compiled by the Management.
- (v) reviewed the interested person transactions.
- (vi) reviewed any whistle-blowing complaints; and
- (vii) met once with the Group's EA without the presence of the Management and reviewed the overall scope of the external and the assistance given by the Management to the auditors.
- (viii) considered the independence of the external auditor, undertaken a review of the audit services provided by the EA and noted there was no non-audit fee paid to the EA of the Company for the year under review.

The ARMC was satisfied that the resources and experience of Baker Tilly TFW LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority, the audit engagement partner and her team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, operations and nature of the Group. The accounts of the Company and its Singapore incorporated subsidiaries are audited by Baker Tilly TFW LLP. The Group's subsidiaries are disclosed under Note 14 of the Notes to the Financial Statements on pages 83 to 85 of Annual Report.



# REPORT ON CORPORATE GOVERNANCE

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

## **(D) SHAREHOLDER RIGHTS AND ENGAGEMENT SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS**

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

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

Each item on special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions will be proposed for substantially separate issues at a general meeting.

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

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

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

In view of the COVID-19 situation, the Company will be conducting the AGM via electronic means and therefore, alternative arrangements will be made to take into account the online nature of the annual general meeting, further information of which is set out in the notice of the AGM dated **13 February 2022**.

As shareholders are unable to attend the meeting in person, shareholders will appoint the Chairman of the meeting as proxy to vote on their behalf at the AGM and submit questions relating to the business of the meeting in advance. Please refer to the notice of the AGM dated **13 February 2022** for further information.

Substantial and relevant comments or queries from shareholders relating to the agenda of the AGM together with responses from the Board and the Management will be prepared by the Company. The minutes of AGM which capture the attendance of Board members at the meeting, matters approved by shareholders and voting results will be prepared by the Company. The minutes of the AGM for FY2021 will be released to the SGX-ST within one (1) month from the date of AGM and shall be made available on the Company's website.

# REPORT ON CORPORATE GOVERNANCE

## Dividend Policy

The Company does not have a formal dividend policy. In considering the declaration of dividends, the Company will have to take into consideration of the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

For FY2021, no dividend had been recommended in view of the Group's net loss position.

## ENGAGEMENT WITH SHAREHOLDERS

**Principle 12:** *The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

In line with the continuous disclosure obligations pursuant to the Singapore Exchange Listing Rules and the Companies Act, all major developments that impact the Group or could materially affect its share price are announced or issued within the mandatory period via SGXNET on a timely basis.

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

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

The Company does not have an investor relations policy in place. Shareholders can access information on the Group's website [www.uspgroup.com.sg](http://www.uspgroup.com.sg). The website provides, inter alia, all publicly disclosed financial information, corporate announcements, annual reports, and profile of the Group.

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

## (E) MANAGING STAKEHOLDERS RELATIONSHIPS ENGAGEMENT WITH STAKEHOLDERS

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

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

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

The Company maintains a corporate website [www.uspgroup.com.sg](http://www.uspgroup.com.sg) to communicate and engage with stakeholders.

# REPORT ON CORPORATE GOVERNANCE

## **(F) SECURITIES TRANSACTIONS**

The Group has adopted an internal compliance code of conduct to provide guidance to its officers regarding dealings in the Company's securities and implication of Insider Trading in compliance with Rule 1207(19) of Listing Manual of the SGX-ST.

The Group prohibits the Directors and employees to trade in the Company's securities, during the period beginning one (1) month before the date of the announcement of the full year results and two (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 FY2021.

## **(G) INTERESTED PERSON TRANSACTIONS**

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

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

During FY2021, there were no IPTs entered into by the Company. The Group does not have a shareholders' mandate for IPTs.

# REPORT ON CORPORATE GOVERNANCE

## (H) MATERIAL CONTRACTS

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

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

Mr Lim Yew Tou Eric and Mr Chia Heng Chian will be seeking re-election as Directors of the Company at the forthcoming AGM to be convened on 28 February 2022 under Ordinary Resolutions 2 and 3 as set out in the Notice of AGM dated 13 February 2022 (collectively, the "Retiring Directors" and each a "Retiring Director").

Name of Director	Lim Yew Tou Eric	Chia Heng Chian
Date of Appointment	8 September 2021	5 February 2021
Date of Last Re-Appointment	-	-
Age	70	59
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of the Company concurs with the NC that Mr Lim is objective in expressing his views, participating in deliberation and decision making of the Board and exercising his judgement as the Non-Independent Non-Executive Director on the corporate affairs of the Group, independent of the Management and therefore accepts the recommendation of the NC on the re-appointment of Mr Lim as an Non-Independent Non-Executive Director of the Company.	The Board of the Company concurs with the NC that Mr Chia is objective in expressing his views, participating in deliberation and decision making of the Board and exercising his judgement as the Independent Non-Executive Director on the corporate affairs of the Group, independent of the Management and therefore accepts the recommendation of the NC on the re-appointment of Mr Chia as an Independent Non-Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, ARMC Chairman, ARMC Member etc.)	Non-Independent Non-Executive Director	Independent Non-Executive Director, Chairman of Audit and Risk Management Committee and member of Remuneration Committee
Professional qualifications	Please refer to Director's Profile on page 5 of Annual Report.	Please refer to Director's Profile on page 4 of Annual Report.
Working experience and occupation(s) during the past 10 years	Please refer to Director's Profile on page 5 of Annual Report.	Please refer to Director's Profile on page 4 of Annual Report.
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil

# REPORT ON CORPORATE GOVERNANCE

Name of Director	Lim Yew Tou Eric	Chia Heng Chian
Any relationship (including immediate family relationship) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Not applicable.	Not applicable.
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Past (for the last 5 years)	- Chemical Industries Far East Ltd	- Portek International Pte Ltd - CFO of Advance Micro Foundry Pte Ltd
Present	- El Elcisir	- Head of Group Compliance and Corporate Development of P5 Design Venture Pte Ltd

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

# REPORT ON CORPORATE GOVERNANCE

<b>Information required</b>	
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.	
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:— <ul style="list-style-type: none"> <li>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</li> <li>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</li> <li>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</li> <li>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</li> </ul>
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?
<b>Each of the director has individually given a negative disclosure on each of the above items (a) to (k).</b>	

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

# STATEMENT BY DIRECTORS

The directors present their statement to the members together with the audited consolidated financial statements of USP Group Limited (the “Company”) and its subsidiary corporations (collectively, the “Group”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2021.

In the opinion of the directors:

- i) the consolidated financial statements of the Group and the statement of financial position, and statement of changes in equity of the Company as set out on pages 46 to 127 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2021 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International); and
- ii) at the date of this statement, after considering the matters as disclosed in Note 3 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

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

### Managing Director, Executive director and CEO

Tanoto Sau Ian

### Non-executive directors

Djohan Sutanto

Chia Heng Chian

Joseph Tan Chin Aik

Lim Yew Tou Eric

(Appointed on 8 September 2021)

## Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Directors’ interests in shares and debentures

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

Name of directors and corporation in which interests are held	Number of ordinary shares Shareholdings registered in their own name	
	At beginning of year	At end of year
<b>The Company</b>		
Tanoto Sau Ian	22,700,000	22,700,000

# STATEMENT BY DIRECTORS

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

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

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

The directors' interest as at 21 April 2021 were the same as those at the end of the reporting year.

## **Share options**

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

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

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

## Performance Share Plan

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

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

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

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



# STATEMENT BY DIRECTORS

## Share options (cont'd)

### Performance Share Plan (cont'd)

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 the Company's corporate key performance indicators. The RC has the discretion to impose a further vesting period after the performance period to encourage participants to continue serving the Group for a further period of time.

As soon as reasonably practicable after the end of each performance period, the RC shall review the performance targets specified in respect of each award and determine at its discretion whether they have been satisfied and, if so, the extent to which they have been satisfied, and provided that the relevant participant has continued to be a group executive or a non-executive director up to the end of the performance period, shall release to the relevant participant all or part (as determined by the RC at its discretion in the case where the RC has determined that there has been partial satisfaction of the performance target) of the shares to which the relevant award relates in accordance with the release schedule specified in respect of the relevant award.

The RC shall have the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the RC shall have the right to make computational adjustments to the audited results of the Company or the Group, to take into account such factors as to the RC may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the RC decides that a changed performance target would be a fairer measure of performance.

The total number of shares which may be issued or transferred pursuant to awards granted under the PSP, when aggregated with the aggregated number of shares over which options are granted under any other share option scheme of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares) from time to time.

The PSP shall continue in force at the discretion of the RC, subject to a maximum period of 10 years commencing from 27 February 2015, provided always that the PSP may continue beyond the above stipulated period with the approval of shareholders of the Company in general meeting and of any relevant authorities which may then be required.

The number of shares awarded to each participant are based on the achievement of certain prescribed performance targets.

As at 31 March 2021, the Company has not granted any performance share awards under the Performance Share Plan. Subsequent to the 7.4 million performance share (the "7.4 million shares") awarded to Dr. Lim Boh Soon on September 2019, the Company commenced a suit against Dr. Lim Boh Soon to return the 7.4 million shares to the Company. Judgment has been entered on 18 January 2022 in that Dr. Lim Boh Soon shall return the 7.4 million shares to the Company by 8 February 2022 and that the Company shall cause the 7.4 million shares to be cancelled within thirty (30) days of Dr. Lim's return of the 7.4 million shares. Below are details of the share awards previously granted to the directors of the Company:

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

# STATEMENT BY DIRECTORS

## **Audit and risk management committee**

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

### As at the date of the Directors’ Statement

Chia Heng Chian (Chairman)

Djohan Sutanto

Joseph Tan Chin Aik

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

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

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

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

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

## **Independent auditor**

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

On behalf of the directors

Tanoto Sau Ian  
Director

Djohan Sutanto  
Director

11 February 2022

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2021  
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”) as set out on pages 46 to 127, which comprise the statements of financial position of the Group and of the Company as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of 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 Singapore Financial Reporting Standards (International) (“SFRS(I)”) 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 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the 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 Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 3 to the financial statements with respect to the Group's and the Company's ability to continue as going concerns.

During the financial year ended 31 March 2021, the Group and the Company reported a net loss of \$1,269,000 (2020: \$6,650,000) and \$4,601,000 (2020: \$6,235,000) respectively. As at 31 March 2021, the Group's current liabilities exceeded its current assets by \$4,050,000 (2020: \$18,009,000).

As disclosed in Note 24 to the financial statements, the carrying amount of total borrowings of the Group in default as at 31 March 2021 were \$12,701,000. These borrowing were classified as current liabilities on the consolidated statement of financial position as at 31 March 2021. In addition, details of the Group's contingent liabilities are disclosed in Note 29 to the financial statements.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2021  
To the members of USP Group Limited

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

### ***Material Uncertainty Related to Going Concern (cont'd)***

The above factors indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. The Group and Company's ability to continue as going concerns is dependent on the outcome of the Group's discussions on repayment arrangements with their banker and the Group's ability to continue to generate positive cash flows to meet the repayment requirements for the borrowings.

Management is of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis based on the reasons and factors disclosed in Note 3 to the financial statements. Our opinion is not modified in respect of this matter.

### ***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 period. 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. In addition to the matter described in the *Material Uncertainty related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

### ***Valuation of inventories at the lower of costs and net realisable value***

Refer to Notes 2(n), 3 and 17 to the financial statements.

#### *The key audit matter:*

The Group's inventories totalled \$9,777,000 which accounted for approximately 14% of the Group's total assets as at 31 March 2021. As disclosed in Note 2(n) to the financial statements, inventories are stated at the lower of cost and net realisable value. Management reviews for slow-moving and obsolete inventories and for inventories where there are declines in net realisable value below cost, and writes down inventories for any such declines. Management estimates the net realisable value for inventories by taking into consideration the current economic condition, historical sales record, inventory ageing analysis, technical assessment and subsequent sales. Write-down of inventories to their net realisable values charged to the Group's profit or loss for the current financial year amounted to \$271,000 (2020: \$141,000). The write-down to net realisable value for slow-moving and obsolete inventories is considered a key audit matter, as it requires management to exercise judgement in identifying slow-moving and obsolete inventories and making estimates of the net realisable value to determine the appropriate level of write-down required. Any significant changes in anticipated future selling prices and saleability may affect the carrying value of the inventories.

#### *The procedures performed by us and the component auditors to address the key audit matter*

We performed procedures to understand management's process over the monitoring and review of inventory obsolescence, the identification of slow moving inventories, and the policy in place to determine the level of write down required.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2021  
To the members of USP Group Limited

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

### ***Valuation of inventories at the lower of costs and net realisable value (cont'd)***

*The procedures performed by us and the component auditors to address the key audit matter (cont'd)*

We evaluated management's assessment of slow moving and obsolete inventories by reviewing the age of inventory and comparing to historical sales record and subsequent sales.

We verified that inventories are recorded at the lower of cost and net realisable value by comparing, on a sample basis, the recorded unit cost of inventories against recent/subsequent selling prices and reviewing management's assessment and basis for inventories with no subsequent sales.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

### ***Emphasis of Matter***

We draw attention to Note 29 to the financial statements which describes the contingent liabilities of the Group. Our opinion is not modified in respect of this matter.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2021 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 SFRS(I), 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.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2021  
To the members of USP Group Limited

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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:

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

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2021  
To the members of USP Group Limited

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

### *Auditor's Responsibilities for the audit of the financial statements (cont'd)*

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described 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 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 Foong Chooi Chin.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

11 February 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 March 2021  
(In Singapore Dollars)

	Note	2021 \$'000	(Restated) 2020 \$'000
<b>Revenue</b>	4	34,077	39,303
Cost of sales		(22,237)	(25,675)
<b>Gross profit</b>		<b>11,840</b>	13,628
Other income			
- Interest income		55	65
Other gains and losses			
- Impairment loss on financial assets		(629)	(1,272)
- Others	5	1,022	(2,423)
<b>Expenses</b>			
Distribution costs		(405)	(585)
Administrative expenses		(11,509)	(13,428)
Finance costs	6	(1,793)	(2,721)
<b>Loss before tax</b>	7	<b>(1,419)</b>	(6,736)
Tax credit	9	150	86
<b>Loss for the financial year</b>		<b>(1,269)</b>	(6,650)
<b>Other comprehensive (loss)/income:</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Currency translation differences arising on consolidation		(227)	212
<b>Total comprehensive loss for the financial year</b>		<b>(1,496)</b>	(6,438)
<b>Loss attributable to:</b>			
Equity holders of the Company		(1,250)	(6,573)
Non-controlling interests		(19)	(77)
<b>Loss for the financial year</b>		<b>(1,269)</b>	(6,650)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		(1,477)	(6,361)
Non-controlling interests		(19)	(77)
		<b>(1,496)</b>	(6,438)
<b>Loss per share for loss attributable to equity holders of the Company (cents per share)</b>			
Basic and diluted loss per share	11	(1.28)	(6.97)

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



# STATEMENTS OF FINANCIAL POSITION

At 31 March 2021  
(In Singapore Dollars)

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	25,144	18,022	376	67
Investment properties	13	26,000	28,000	–	–
Investment in subsidiaries	14	–	–	1,197	1,097
Intangible assets	15	459	1	–	–
Deferred tax assets	16	368	82	–	–
<b>Total non-current assets</b>		<b>51,971</b>	46,105	<b>1,573</b>	1,164
<b>Current assets</b>					
Inventories	17	9,777	11,336	–	–
Trade and other receivables	18	5,227	5,528	9,614	13,861
Cash and cash equivalents	19	4,970	3,795	350	87
		<b>19,974</b>	20,659	<b>9,964</b>	13,948
Disposal group assets classified as held for sale	10	–	11,667	–	–
<b>Total current assets</b>		<b>19,974</b>	32,326	<b>9,964</b>	13,948
<b>Total assets</b>		<b>71,945</b>	78,431	<b>11,537</b>	15,112
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	20	51,172	51,172	51,172	51,172
Treasury shares	21	(99)	(99)	(99)	(99)
Other reserves	22	4,701	4,928	(355)	(355)
Accumulated losses		(33,665)	(32,415)	(43,864)	(39,263)
Equity attributable to equity holders of the Company		<b>22,109</b>	23,586	<b>6,854</b>	11,455
Non-controlling interests		(12)	7	–	–
<b>Total equity</b>		<b>22,097</b>	23,593	<b>6,854</b>	11,455

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

# STATEMENTS OF FINANCIAL POSITION

At 31 March 2021  
(In Singapore Dollars)

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Non-current liabilities</b>					
Deferred tax liabilities	16	1,481	1,018	–	–
Other payables	23	274	172	–	–
Borrowings	24	23,772	3,215	162	–
Provisions	25	191	–	–	–
Liabilities for post-employment benefits		106	98	–	–
<b>Total non-current liabilities</b>		<b>25,824</b>	<b>4,503</b>	<b>162</b>	<b>–</b>
<b>Current liabilities</b>					
Trade and other payables	27	5,881	4,068	4,398	2,157
Contract liabilities	28	904	292	–	–
Borrowings	24	17,157	40,098	123	1,500
Derivative financial instruments	26	–	14	–	–
Income tax payable		82	99	–	–
		<b>24,024</b>	<b>44,571</b>	<b>4,521</b>	<b>3,657</b>
Liabilities directly associated with disposal group classified as held for sale	10	–	5,764	–	–
<b>Total current liabilities</b>		<b>24,024</b>	<b>50,335</b>	<b>4,521</b>	<b>3,657</b>
<b>Total liabilities</b>		<b>49,848</b>	<b>54,838</b>	<b>4,683</b>	<b>3,657</b>
<b>Total equity and liabilities</b>		<b>71,945</b>	<b>78,431</b>	<b>11,537</b>	<b>15,112</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2021  
(In Singapore Dollars)

	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Accumulated losses \$'000	Equity attributable to equity holders of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Group</b>							
At 1 April 2020	51,172	(99)	4,928	(32,415)	23,586	7	23,593
Loss for the financial year	–	–	–	(1,250)	(1,250)	(19)	(1,269)
<i>Other comprehensive loss</i>							
Currency translation differences arising on consolidation	–	–	(227)	–	(227)	–	(227)
Total comprehensive loss for the financial year	–	–	(227)	(1,250)	(1,477)	(19)	(1,496)
At 31 March 2021	<b>51,172</b>	<b>(99)</b>	<b>4,701</b>	<b>(33,665)</b>	<b>22,109</b>	<b>(12)</b>	<b>22,097</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2021  
(In Singapore Dollars)

	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Accumulated losses \$'000	Equity attributable to equity holders of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Group</b>							
At 1 April 2019	50,913	(99)	5,466	(25,842)	30,438	84	30,522
Loss for the financial year	–	–	–	(6,573)	(6,573)	(77)	(6,650)
<i>Other comprehensive income</i>							
Currency translation differences arising on consolidation	–	–	212	–	212	–	212
Total comprehensive income/(loss) for the financial year	–	–	212	(6,573)	(6,361)	(77)	(6,438)
Issuance of shares pursuant to PSP (Note 20)	259	–	–	–	259	–	259
Deferred equity consideration	–	–	(750)	–	(750)	–	(750)
At 31 March 2020	51,172	(99)	4,928	(32,415)	23,586	7	23,593

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

## STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2021  
(In Singapore Dollars)

	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Company</b>					
At 1 April 2020	51,172	(99)	(355)	(39,263)	11,455
Loss and total comprehensive loss for the financial year	–	–	–	(4,601)	(4,601)
<b>At 31 March 2021</b>	<b>51,172</b>	<b>(99)</b>	<b>(355)</b>	<b>(43,864)</b>	<b>6,854</b>
At 1 April 2019	50,913	(99)	(355)	(33,028)	17,431
Issuance of shares pursuant to PSP (Note 20)	259	–	–	–	259
Loss and total comprehensive loss for the financial year	–	–	–	(6,235)	(6,235)
At 31 March 2020	51,172	(99)	(355)	(39,263)	11,455

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

	Group	
	2021 \$'000	2020 \$'000
<b>Cash flow from operating activities</b>		
Loss before tax	(1,419)	(6,736)
Adjustments for:		
Amortisation of intangible assets	–	170
Bad debt written off	559	259
Deposits written off	60	–
Depreciation of property, plant and equipment	2,307	2,379
Fair value loss on investment properties	2,000	2,000
Unrealised exchange (gains)/losses	(378)	278
(Gain)/loss on disposal of property, plant and equipment	(252)	64
Gain on derivative financial instruments	(14)	(1)
Gain on disposal of financial assets at fair value through profit or loss	(1,037)	–
Impairment loss of property, plant and equipment	–	54
Impairment loss on intangible assets	–	973
Impairment loss on other receivables	57	34
Impairment loss on trade receivables	13	979
Intangible assets written off	1	–
Interest expense	1,467	2,382
Interest expense on lease liabilities	326	339
Interest income	(55)	(65)
Inventory written down	271	141
Loss on disposal of investment properties	–	149
Non-cash rent concession	(78)	–
Property, plant and equipment written off	–	39
Operating cash flows before movement in working capital	<b>3,828</b>	3,438
Trade and other receivables	164	1,753
Inventories	1,307	3,427
Trade and other payables	(383)	(2,207)
Contract liabilities	612	109
Development properties	–	3,400
Currency exchange translation	14	–
Cash generated from operations	<b>5,542</b>	9,920
Income tax paid	(137)	(872)
<b>Net cash generated from operating activities</b>	<b>5,405</b>	9,048

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

	Group	
	2021 \$'000	2020 \$'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(268)	(371)
Payment of deferred consideration	(350)	(1,182)
Proceeds on disposal of property, plant and equipment	2,000	13
Proceeds on disposal of investment properties	–	1,454
Proceed from disposal of financial assets at fair value through profit or loss	1,037	–
Consideration deposit for disposal of a subsidiary	1,500	–
Interest received	55	65
<b>Net cash generated from/(used in) investing activities</b>	<b>3,974</b>	<b>(21)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	282	–
Repayment of loans and borrowings	(5,013)	(6,265)
Proceeds from loan from shareholder	–	1,500
Proceeds from loan from third party	–	350
Repayment of loan from third party	(150)	(200)
Increase in fixed deposits pledged	(66)	(182)
Repayment to shareholder	(1,500)	–
Repayment of lease liabilities	(432)	(399)
Interest paid	(976)	(2,337)
Interest paid on lease liabilities	(326)	(339)
<b>Net cash used in financing activities</b>	<b>(8,181)</b>	<b>(7,872)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,198</b>	<b>1,155</b>
Cash and cash equivalents at beginning of financial year	147	(1,008)
<b>Cash and cash equivalents at end of financial year (Note 19)</b>	<b>1,345</b>	<b>147</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1 Corporate information

The Company (Co. Reg. No: 200409104W) is incorporated and domiciled in Singapore. The address of its registered office is at 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.

The principal activity of the Company is that of investment holding.

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

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

## 2 Summary of significant accounting policies

### a) Basis of preparation

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

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

#### *Use of estimates and judgements*

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### a) Basis of preparation (cont'd)

#### *New and revised standards*

In the current financial year, the Group has adopted all the new and revised SFRS(I) and SFRS(I) Interpretations (“SFRS(I) INT”) that are relevant to its operations and effective for the current financial year. In addition, the Group has also early adopted the Amendment to SFRS(I) 16 *COVID-19 - Related Rent Concessions*. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in respective SFRS(I) and SFRS(I) INT.

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

During the financial year, the Group has elected to early adopt the amendment to SFRS(I) 16: *COVID-19 - Related Rent Concessions* which provided practical relief for lessees in accounting for rent concessions. Under the practical expedient, the lessees are not required to assess whether a rent concession is a lease modification and instead are permitted to account for them as if they were not lease modifications, if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has elected to apply this practical expedient to all leases. As a result of applying the practical expedient, rent concessions of \$78,000 was recognised as other income in the profit or loss during the financial year. The amendment has no impact on retained earnings at 1 April 2020.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 March 2021 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

### b) Revenue recognition

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### b) Revenue recognition (cont'd)

#### *Sales of goods*

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

#### *Rendering of services*

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

#### *Properties development*

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

#### *Rental income*

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

### c) Subsidiaries

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

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

### d) Basis of consolidation

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### d) Basis of consolidation (cont'd)

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### e) Government grants

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

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

### f) Borrowing costs

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

### g) Employee benefits

#### *Employee leave entitlement*

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

#### *Defined contribution plans*

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

#### *Defined benefit plans*

The Group is required to provide a minimum amount of pension benefits in accordance with Indonesian Labour Law No.13/2003. Since the Labour Law sets the formula for determining the minimum amount of benefits, in substance pension plans under the Labour Law represent defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of reporting period, together with adjustment for unrecognised actuarial gains or losses and past service costs. The defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (considering currently in Indonesia there is no deep market for high-quality corporate bonds) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### h) Income taxes

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

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

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

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

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

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

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

### i) Goodwill

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### j) Property, plant and equipment

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

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

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

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

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

#### *Depreciation*

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### k) Investment properties

Investment properties are properties that are either owned by the Group or right-of-use assets that are held to earn rentals or for capital appreciation, or both, or land held for a currently undetermined future use. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

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

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

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

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

### l) Intangible assets

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

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

### m) Impairment of non-financial assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### m) Impairment of non-financial assets excluding goodwill (cont'd)

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

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

### n) Inventories

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

### o) Leases

#### *When a Group entity is the lessee*

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

#### *Lease liabilities*

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### o) Leases (cont'd)

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

##### *Lease liabilities (cont'd)*

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

##### *Right-of-use assets*

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

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

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The right-of-use assets (except for those which meets the definition of an investment property) are presented within "Property, plant and equipment" in the statements of financial position and disclosed in Note 12. Right-of-use asset which meets the definition of an investment property are presented within "Investment properties" and accounted in accordance with Note 2(k).

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

#### *When a Group entity is the lessor*

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### p) Financial assets

#### *Recognition and derecognition*

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

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

#### *Classification and measurement*

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

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

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

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

#### *Subsequent measurement*

##### *i) Debt instruments*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### p) Financial assets (cont'd)

#### *Subsequent measurement (cont'd)*

##### *ii) Equity instruments*

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

#### *Impairment*

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

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

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

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

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

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

#### *Offset*

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

### q) Cash and cash equivalents in the statement of cash flows

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### r) Financial liabilities

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

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

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

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

### s) Financial guarantees

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

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

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

### t) Provisions for other liabilities

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

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

### u) Derivative financial instruments

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### v) Share capital

#### *Ordinary shares*

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

#### *Treasury shares*

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

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

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

### w) Foreign currencies

#### *Functional and presentation currency*

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

#### *Transactions and balances*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### w) Foreign currencies (cont'd)

#### *Translation of Group entities' financial statements*

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

- (i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

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

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

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

### x) Segment reporting

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 2 Summary of significant accounting policies (cont'd)

### y) Non-current assets (or disposal groups) held for sale and discontinued operations (cont'd)

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

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

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

The entity shall measure a non-current asset or disposal group that ceases to be classified as held for sale or ceases to be included in a disposal group at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell or distribute. The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in profit or loss from continuing operations in the period in which the non-current asset (or disposal group) that ceases to be classified as held for sale or ceases to be included in a disposal group classified as held for sale.

## 3 Critical accounting judgements and key sources of estimation uncertainty

### *Critical judgements in applying the entity's accounting policies*

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

#### *Going concern assumption*

The Group and the Company incurred a net loss of \$1,269,000 (2020: \$6,650,000) and \$4,601,000 (2020: \$6,235,000) respectively for the financial year ended 31 March 2021 and as at that date, the Group's current liabilities exceeded its current assets by \$4,050,000 (2020: \$18,009,000). The Group's significant operations in Singapore and Malaysia were affected by the spread of COVID-19 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). Also, the financial performance of the Company was mainly due to impairment loss in amount due from subsidiaries (Note 18).

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

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

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

#### *Going concern assumption (cont'd)*

As at 31 March 2021, the Group has outstanding bank loan and trade financing of \$4,349,000 (2020: \$4,395,000) and \$8,352,000 (2020: \$9,349,000) respectively that were defaulted since 2019 and classified as current liabilities (Note 24). Nonetheless, the Group has been making constructive repayment for these bank loan and trade financing of \$45,000 and \$668,000 respectively for the financial year ended 31 March 2021. As of the date of this report, bank for these borrowings have not issued any demand for immediate repayment. In addition, the details of the Group's contingent liabilities are disclosed in Note 29.

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 the following:

- a) The review of the cash flow forecasts of the Group and of the Company subsequent to the financial year ended 31 March 2021 showed that the Group and the Company have adequate resources and will be able to generate sufficient cash flows in the next 24 months to meet their financial obligations as and when they fall due taking into the following consideration:
  - (i) The Group's activities continue to generate positive cash flows for the Group and the Company in the next 24 months despite the slowdown in the operating environment;
  - (ii) The Group is reorganising the operational structure for marine distributors and dealership and calibration of environmental equipment by moving into the same premise in year 2022 for a more efficient management over working capital of these two major segments. Simultaneously, the Group is expected to dispose two of the premises (comprised of offices and factory) that two subsidiaries are currently occupying, and the proceeds will be used to service the external borrowings and thereby reducing the Group's financing cost;
  - (iii) The Group's marine distributors and dealerships segment is on a positive trend amidst the pandemic and continual growth is expected along the recovery of the global economy. The Group is also reshaping the strategic direction to serve other markets along the value chain in this segment. This expansion will strengthen the Group's position along the value chain and improve the contribution from marine distributors and dealerships segment;
  - (iv) The Group's calibration of environmental equipment segment is expected to register a commendable growth with the increasingly demand for air purifications systems and a proactive marketing approach taken by the Group's covering Singapore and Indonesia market;
  - (v) Property investments segment of the Group is rather stable due the tenants' portfolio and is supported by medium to long-term leases. It is expected to continue to generate steady cash inflow for the Group; and
  - (vi) The Group explored into animal feed industry by carry on the trial run for its Black Soldier Fly ("BSF") Farm Project through its subsidiary under recycling of waste oil segment. Upon the completion of the nursery and the commencement of the production, it is expected to generate additional cash inflow for the Group.
- b) The Group is engaged in discussion with potential investors to provide fresh investment funds and business opportunities to the Group to meet its debt obligations and capital needs;



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

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

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

#### *Going concern assumption (cont'd)*

- c) The Group obtained written confirmations from the bank concerned on 30 March 2021 that the bank has agreed to accommodate the breach of loan covenants on a one-off basis for the financial year ended 31 March 2021. As a result, the management is of the view that the bank will not request for immediate repayment of the outstanding loan amounts even though there was a breach of loan covenants; and
- d) The Group is in constant discussion with the bankers to plan for the restructuring and repayment of the aforementioned bank loan and trade financing along with one of the leasehold properties with the market value of \$5,800,000 as at 31 March 2021 being tabled for disposal with the consent of bankers as part of the restructuring.

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

#### *Key sources of estimation uncertainty*

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

#### *Calculation of allowance for impairment 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. Details of ECL measurement and carrying value of trade and other receivables at the end of the reporting period are disclosed in Notes 18 and 30.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

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

### *Key sources of estimation uncertainty (cont'd)*

#### *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.

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

#### *Impairment of 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. Further details of the key assumptions applied in the impairment assessment of goodwill, and the carrying amount of the goodwill are disclosed in Note 15 to the financial statements. The carrying amounts of property, plant and equipment is disclosed in Note 12 to the financial statements.

#### *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 13.

A decrease in the fair value for the investment properties amounting to \$2,000,000 (2020: \$2,000,000) has been recognised in profit or loss during the financial year.

The carrying amount of the investment properties at the end of the reporting period date disclosed in Note 13.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

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

### *Key sources of estimation uncertainty (cont'd)*

#### *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.

The carrying amount of the Company's investments in subsidiaries at the end of the reporting period are disclosed in Note 14.

## 4 Revenue

	<b>Group</b>	
	<b>2021</b>	(Restated) <b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of marine equipment and accessories	<b>26,312</b>	26,540
Sale of scientific and precision equipment	<b>1,489</b>	2,142
Sale of recycling of waste oil	<b>1,976</b>	2,408
Sales of development properties	–	3,280
Rendering of marine equipment related services	<b>304</b>	477
Rendering of calibration services	<b>860</b>	791
Rendering of rental related services	<b>789</b>	897
Rental income	<b>2,347</b>	2,768
	<b>34,077</b>	39,303
Timing of revenue recognition		
At point in time	<b>31,730</b>	36,535
Over time	<b>2,347</b>	2,768
	<b>34,077</b>	39,303

Revenue recognised during the financial year from:

	<b>Group</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	<b>\$'000</b>
Amounts included in contract liability at the beginning of the financial year	<b>292</b>	183

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 5 Other gains and losses - Others

	Group	
	2021	(Restated) 2020
	\$'000	\$'000
Fair value gain on derivative financial instruments	14	1
Fair value loss on investment properties (Note 13)	(2,000)	(2,000)
Foreign exchange gain, net	802	843
Gain on disposal of financial assets at fair value through profit or loss	1,037	–
Gain/(loss) on disposal of property, plant and equipment	252	(64)
Government grants	563	45
Impairment loss of intangible assets (Note 15)	–	(973)
Impairment loss of property, plant and equipment (Note 12)	–	(54)
Loss on disposal of investment properties (Note 13)	–	(149)
Rent concession	78	–
Sublease income	175	239
Write off of property, plant and equipment (Note 12(d))	–	(39)
Others	101	(272)
	<b>1,022</b>	<b>(2,423)</b>

The FVTPL above pertained to investment in equity securities of an electronics contract manufacturer in Singapore. The value of the investment was fully written down during the financial year 31 March 2019. During the financial year, the Company has subscribed to an exit offer from the investee at \$0.016 per share, amounting to proceeds of \$1,037,000.

Jobs Support Scheme government grant amount of \$366,000 (2020: \$7,000) was recognised during the financial year under the Jobs Support Scheme (the “JSS”). Under the JSS, the Singapore Government will co-fund gross monthly wages paid to each local employee through cash subsidies with the objectives of helping employers retain local employees during the period of economic uncertainty. In determining the recognition of the JSS grant income, management has evaluated and concluded that the period of economic uncertainty commenced in April 2020 when the COVID-19 pandemic started affecting the Company’s operation.

Government grant income of \$74,000 (2020: \$Nil) relates to rental relief received from the Singapore Government to help businesses deal with the impact from COVID-19 pandemic.

Grant income relating to property tax rebate of \$76,000 (2020: \$Nil) was received during the financial year. This amount has been deducted against property tax expense for the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 6 Finance costs

	Group	
	2021	(Restated) 2020
	\$'000	\$'000
Interest expenses on		
- Bank overdraft	52	99
- Lease liabilities	326	339
- Bank loans	875	1,440
- Deferred consideration	–	32
- Trade financings	473	773
- Loan from shareholder	45	19
- Loan from third party	–	6
- Unwind of discount for provision for restoration cost	8	13
- Derivative instruments	14	–
	<b>1,793</b>	<b>2,721</b>

## 7 Loss before tax

	Group	
	2021	(Restated) 2020
	\$'000	\$'000
Loss before tax is arrived at after charging:		
Amortisation of intangible assets (Note 15)	–	170
Auditors' remuneration paid/payable to:		
- Auditor of the Company	147	178
- Other auditors of the Group*	57	45
Fees for non-audit services paid to:		
- Auditor of the Company	–	–
- Other auditors of the Group	–	–
Bad debts written off - trade receivables	559	259
Depreciation of property, plant and equipment	2,307	2,379
Directors' fees	173	141
Deposit written off	60	–
Inventories written down (Note 17)	271	141
Impairment loss on trade receivables (Note 18)	13	979
Impairment loss on other receivables (Note 18)	57	34
Professional fees	1,811	598
Property tax	256	265
Rental expenses (Note 35)	96	167
Rental rebate	173	–
Staff costs (Note 8)	<b>4,365</b>	<b>5,475</b>

\* Includes independent member firms of the Baker Tilly International network.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 8 Staff costs

	Group	
	2021	(Restated) 2020
	\$'000	\$'000
Salaries, bonuses and other employees' benefits	3,733	4,665
Contributions to defined contribution plans	437	504
Other benefits	195	306
	<b>4,365</b>	<b>5,475</b>

The staff costs are included in distribution costs and administrative expenses. Staff cost include key management personnel compensation which is disclosed in Note 32(b).

## 9 Tax credit

	Group	
	2021	2020
	\$'000	\$'000
Tax credit attributable to losses is made up of:		
- Capital gain	-	29
- Current income tax	157	111
- Deferred tax	(289)	99
	<b>(132)</b>	<b>239</b>
(Over)/under provision in respect of prior years		
- Current income tax	(46)	(249)
- Deferred tax	28	(76)
	<b>(150)</b>	<b>(86)</b>

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

	Group	
	2021	2020
	\$'000	\$'000
Loss before tax	(1,419)	(6,736)
Tax calculated at a tax rate of 17% (2020: 17%)	(241)	(1,145)
Expenses not deductible for tax purposes	492	1,745
Effect of different tax rates in different countries	11	(80)
Tax effect of non-taxable income	(356)	(355)
Deferred tax assets not recognised	121	75
Utilisation of previously unrecognised deferred tax assets	(156)	-
Tax rebate and exemptions	-	(30)
Capital gain tax	-	29
Over provisions of current income tax in respect of prior years	(46)	(249)
(Under)/over provisions of deferred tax in respect of prior years	28	(76)
Others	(3)	-
	<b>(150)</b>	<b>(86)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 9 Tax credit (cont'd)

The potential deferred tax assets on the following deductible temporary differences have not been recognised in the financial statements at the end of the reporting period due to uncertainty of its recoverability:

	Group	
	2021 \$'000	2020 \$'000
Unabsorbed tax losses	21,704	22,302
Unabsorbed capital allowances	3,107	3,107
Accelerated tax depreciation	135	255
Others	605	202
	<b>25,551</b>	<b>25,866</b>

As at 31 March 2021, the Group has unutilised tax losses and unabsorbed capital allowances of \$21,899,000 and \$3,107,000 (2020: \$22,829,000 and \$3,107,000) respectively that are available for set-off against future taxable profits. The use of these tax losses and capital allowances is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislations of the respective countries in which the Group operates.

The unutilised tax losses and capital allowance do not have any expiry date except for the unutilised tax losses arising from the subsidiaries in the jurisdiction of Republic of Indonesia and Malaysia amounting to \$20,000 and \$113,000 (2020: \$364,000 and \$43,000) respectively which can only be utilised for the set-off against its future taxable profits within five and seven years from the date the tax losses were incurred.

## 10 Discontinued operation and Disposal group classified as held for sale

After the board meeting held on 23 March 2020, management continued to actively look for a new purchaser after a previous binding term sheet was terminated on 12 December 2019. On 18 April 2020, the Board approved to dispose Biofuel Research Pte Ltd ("Biofuel") to the third party purchaser and a binding term sheet was re-entered between the Group and third party purchaser for the proposed disposal of 93.09% equity interest in a subsidiary, Biofuel, undertaking the Group's recycling of waste oil business (the "Proposed Disposal") for a sale consideration of \$5,585,400 on 11 May 2020. A definitive sale and purchase agreement was entered with this third party purchaser on 7 August 2020 and completion is expected to take place no later than 31 March 2021 upon satisfactory fulfilment of all conditions precedent to the agreement including satisfactory completion of due diligence review by the purchaser and obtaining the approval of the Proposed Disposal by shareholders of the Company and by SGX-ST. Management has reviewed and concluded that Biofuel, as a result of the proposed disposal, meets the requirements of SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* to be presented as discontinued operation as at end of the previous reporting year. Therefore, the entire recycling of waste oil business which was contributed by Biofuel was presented as discontinued operation and classified as assets and liabilities held for sale as at 31 March 2020.

During the current financial year ended 31 March 2021, consideration deposit of \$1,500,000 was received. At 31 March 2021, the conditions precedent to the agreement have not yet been fulfilled. Management assessed the criteria for classification of Biofuel as held for sale at 31 March 2021 by considering the completion status and unfulfilled conditions relating to the Proposed Disposal as at 31 March 2021. Based on the assessment performed by Management, the results of operations of Biofuel previously presented in discontinued operation were reclassified and re-presented in income from continuing operations for all periods presented.

On 18 June 2021, the third party purchaser had informed the Company's directors of its decision not to proceed with the Proposed Disposal.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

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

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

### *Disclosures for statement of financial position*

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

	<b>Group</b> 2020 \$'000
<b>Assets</b>	
Goodwill (Note 15)	459
Property, plant and equipment (Note 12)	10,582
Inventories	62
Trade and other receivables	511
Cash and cash equivalents (Note 19)	53
	<hr/>
Assets of disposal group classified as held for sale	11,667
	<hr/>
<b>Liabilities</b>	
Deferred tax liabilities (Note 16)	432
Trade and other payables	495
Lease liabilities (Note 24(d))	3,831
Borrowings (Note 24(d))	815
Provision	191
	<hr/>
Liabilities of disposal group classified as held for sale	5,764
	<hr/>
<b>Net assets directly associated with disposal group classified as held for sale</b>	<b>5,903</b>
	<hr/>

- a) At 31 March 2020, the net carrying values of disposal Group's property, plant and equipment under right-of-use assets was \$3,122,000 (Note 35).
- b) Addition of property, plant and equipment during the previous financial year was \$39,000 (Note 12(a)).

## 11 Loss per share

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

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
Loss for the financial year attributable to equity holders of the Company (\$'000)	<b>(1,250)</b>	(6,573)
	<hr/>	<hr/>
Weighted average number of ordinary shares on issue ('000)	<b>97,687</b>	94,261
	<hr/>	<hr/>
Basic and diluted loss per share (cents)	<b>(1.28)</b>	(6.97)
	<hr/>	<hr/>

There was no difference between the basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive for the financial years ended 31 March 2021 and 31 March 2020.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 12 Property, plant and equipment

Group	Freehold lands and buildings \$'000	Leasehold land and properties \$'000	Leasehold improvement \$'000	Plant and machinery \$'000	Office equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Computers \$'000	Construction in progress \$'000	Total \$'000
<b>Cost</b>										
Cost at 1.4.2019	5,836	13,182	527	1,038	539	819	2,041	613	2,534	27,129
Currency translation difference	—	—	—	—	(40)	—	—	—	—	(40)
Additions	—	17	11	183	56	10	110	5	54	446
Disposals	—	—	(16)	(2)	(6)	(7)	(265)	(39)	—	(335)
<b>At 31.3.2020</b>	5,836	13,199	522	1,219	549	822	1,886	579	2,588	27,200
Currency translation difference	(82)	(8)	(2)	(3)	17	(7)	—	(5)	—	(90)
Additions	—	363	2	—	73	2	85	16	109	650
Disposals	—	(51)	(9)	(7)	(2)	—	(338)	—	(2,697)	(3,104)
Transfer from asset held for sale	—	13,588	61	4,111	30	—	85	—	—	17,875
<b>At 31.3.2021</b>	5,754	27,091	574	5,320	667	817	1,718	590	—	42,531

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 12 Property, plant and equipment (cont'd)

Group	Freehold lands and buildings \$'000	Leasehold land and properties \$'000	Leasehold improvement \$'000	Plant and machinery \$'000	Office equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Computers \$'000	Construction in progress \$'000	Total \$'000
<b>Accumulated depreciation and impairment losses</b>										
At 1.4.2019	553	2,003	451	643	460	764	1,821	564	934	8,193
Currency translation difference	—	—	—	—	(20)	—	—	—	—	(20)
Charge for the financial year	52	667	47	182	105	28	99	29	—	1,209
Impairment	—	—	—	—	—	—	—	—	54	54
Disposals	—	—	(7)	(2)	(7)	(4)	(201)	(37)	—	(258)
<b>At 31.3.2020</b>	<b>605</b>	<b>2,670</b>	<b>491</b>	<b>823</b>	<b>538</b>	<b>788</b>	<b>1,719</b>	<b>556</b>	<b>988</b>	<b>9,178</b>
Currency translation difference	(9)	(22)	(1)	(1)	9	(6)	—	(4)	—	(34)
Charge for the financial year	52	1,681	26	296	88	21	126	17	—	2,307
Disposals	—	(25)	(2)	(2)	(2)	—	(338)	—	(988)	(1,357)
Transfer from asset held for sale	—	3,518	40	3,659	30	—	46	—	—	7,293
<b>At 31.3.2021</b>	<b>648</b>	<b>7,822</b>	<b>554</b>	<b>4,775</b>	<b>663</b>	<b>803</b>	<b>1,553</b>	<b>569</b>	<b>—</b>	<b>17,387</b>
<b>Net carrying value</b>										
At 31.3.2020	5,231	10,529	31	396	11	34	167	23	1,600	18,022
<b>At 31.3.2021</b>	<b>5,106</b>	<b>19,269</b>	<b>20</b>	<b>545</b>	<b>4</b>	<b>14</b>	<b>165</b>	<b>21</b>	<b>—</b>	<b>25,144</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 12 Property, plant and equipment (cont'd)

	Office equipment \$'000	Motor vehicle \$'000	Computers \$'000	Leasehold building \$'000	Total \$'000
<b>Company</b>					
<b>Cost</b>					
At 1 April 2019	119	132	19	–	270
Disposal	–	(132)	–	–	(132)
At 31 March 2020	119	–	19	–	138
Additions	–	55	6	363	424
<b>At 31 March 2021</b>	<b>119</b>	<b>55</b>	<b>25</b>	<b>363</b>	<b>562</b>
<b>Accumulated depreciation</b>					
At 1 April 2019	30	59	19	–	108
Charge for the financial year	22	9	–	–	31
Disposal	–	(68)	–	–	(68)
At 31 March 2020	52	–	19	–	71
Charge for the financial year	22	8	2	83	115
<b>At 31 March 2021</b>	<b>74</b>	<b>8</b>	<b>21</b>	<b>83</b>	<b>186</b>
<b>Net carrying value</b>					
At 31 March 2020	67	–	–	–	67
<b>At 31 March 2021</b>	<b>45</b>	<b>47</b>	<b>4</b>	<b>280</b>	<b>376</b>

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

	Group	
	2021 \$'000	2020 \$'000
Aggregate cost of property, plant and equipment acquired		
- Continuing operations	650	446
- Discontinued operation (Note 10)	–	39
	<b>650</b>	485
Less: Additions to right-of-use assets (Note 35)	<b>(382)</b>	(114)
Net cash outflow for purchase of property, plant and equipment	<b>268</b>	371

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 12 Property, plant and equipment (cont'd)

- b) Bank loans are secured on properties of the Group with a net carrying value of \$6,108,000 (2020: \$7,730,000) (Note 24).
- c) In the previous financial year, Management had carried out an impairment assessment on one parcel of land which was included in the construction in progress and an impairment loss of \$54,000 was recognised to profit or loss to write down the construction in progress to its recoverable amount of \$1,600,000. The land was returned to JTC Corporation in October 2020.
- d) As at 31 March 2021, the net carrying value of the Group's right-of-use assets under property, plant and equipment was \$11,870,000 (2020: \$9,384,000) (Note 35).

## 13 Investment properties

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>At fair value</b>		
Balance at beginning of financial year	<b>28,000</b>	31,603
Disposal	–	(1,603)
Net fair value loss recognised profit or loss (Note 5)	<b>(2,000)</b>	(2,000)
Balance at end of financial year	<b>26,000</b>	28,000

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

The following amounts are recognised in profit or loss:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental and other related income from investment properties (Note 4)	<b>3,116</b>	3,665
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income	<b>748</b>	765

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

The investment properties held by the Group are as follows:

<b>Description and location</b>	<b>Existing use</b>	<b>Floor area (sqm)</b>	<b>Tenure</b>	<b>Significant unobservable input <sup>(1)</sup></b>
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 <sup>(1)</sup>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 13 Investment properties (cont'd)

The fair value of the investment properties located at Woodlands Industrial Park at the end of the reporting period is determined based on the valuation performed by a professional valuer on the properties' highest and best use basis on 30 April 2021 (2020: 22 June 2020) using a direct comparison with recent transactions of comparable properties within the vicinity at the end of the reporting period. The valuer has taken into consideration the prevailing market conditions and have made due adjustments for differences between the property and the comparables in terms of locations, size, layout and other factors affecting its value. The current property market is uncertain and the value of the property may be affected by the impact and timing of recovery of the property market impacted by COVID-19 pandemic. This fair value measurement is categorised in the Level 3 of the fair value hierarchy.

## 14 Investment in subsidiaries

	Company	
	2021 \$'000	2020 \$'000
Unquoted equity shares, at cost	1,458	1,358
Allowance for impairment	(261)	(261)
Net carrying amounts	<b>1,197</b>	1,097

Movements in the allowance for impairment are as follows:

Balance at beginning of the financial year and end of the financial year	261	261
--	-----	-----

a) Details of subsidiaries held by the Company are:

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest	
			2021 %	2020 %
<i>Held by the Company</i>				
USP Properties Pte Ltd ^	Investment holding and real estate developer	Singapore	100	100
USP Industrial Pte Ltd ^	Investment holding, research and development, engineering, manufacturing, and consultancy for biofuel industry	Singapore	100	100
Biofuel Research Pte Ltd ^	Research and development, engineering, manufacturing and consultancy for biofuel industry	Singapore	7	7
Theme A Investment Holdings Pte Ltd	Investment holding	Singapore	100	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 14 Investment in subsidiaries (cont'd)

a) Details of subsidiaries held by the Company are:

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest	
			2021 %	2020 %
<i>Held by USP Industrial Pte Ltd</i> Biofuel Research Pte Ltd ^	Research and development, engineering, manufacturing and consultancy for biofuel industry	Singapore	86	86
BOS Marine Pte Ltd ^	Wholesale of marine equipment and accessories	Singapore	100	100
USPI Investment Pte Ltd ^	Investment holding	Singapore	100	100
Scientific & Industrial Instrumentation Pte Ltd ^	Trading in scientific and industrial instruments	Singapore	100	100
<i>Held by Scientific &amp; Industrial Instrumentation Pte Ltd</i> SII Scientific (S) Pte Ltd ^	Wholesale of medical, professional, scientific and precision equipment	Singapore	100	100
<i>Held by BOS Marine Pte Ltd</i> BOS Marine (M) Sdn Bhd *	Wholesale of marine equipment and accessories	Malaysia	100	100
<i>Held by USPI Investment Pte Ltd</i> Supratechnic Pte Ltd ^	Wholesale of industrial machinery and equipment, marine equipment and accessories	Singapore	100	100
<i>Held by Supratechnic Pte Ltd</i> Supratechnic (M) Sdn. Bhd. *	Trading in outboard motors and general merchandise	Malaysia	100	100
PT Supratechnic Instrumentasi *	Trading in outboard motors and general merchandise	Indonesia	100	100
<i>Held by Supratechnic (M) Sdn Bhd</i> Semangat Hitech Sdn. Bhd. *	Letting out properties and general traders	Malaysia	100	100
<i>Held by USP Properties Pte Ltd</i> USPP Woodlands Pte Ltd ^	Investment holding	Singapore	100	100
Theme A Properties Pte Ltd	Commercial and industrial real estate management	Singapore	100	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 14 Investment in subsidiaries (cont'd)

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

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest	
			2021 %	2020 %
<i>Held by USPP Woodlands Pte Ltd</i>				
Koon Cheng Development Pte Ltd ^	Letting and operating self-owned properties	Singapore	100	100

^ Audited by Baker Tilly TFW LLP

\* Audited by overseas independent member firms of Baker Tilly International

- b) At the end of reporting period, there are no subsidiaries with non-controlling interests that are material to the Group. Accordingly, the summarised financial information of the subsidiaries is not disclosed.
- c) On 19 October 2020, the Group incorporated a 100% owned subsidiary, Theme A Properties Pte. Ltd. in Singapore at paid-up capital of \$1,000. Theme A Properties Pte Ltd has not commenced business at 31 March 2021.

On 13 January 2021, the Company incorporated a 100% owned subsidiary, Theme A Investment Holdings Pte Ltd in Singapore at paid-up capital of \$100,000. Theme A Investment Holdings Pte Ltd has not commenced business at 31 March 2021.

## 15 Intangible assets

	Customer relationships \$'000	Goodwill \$'000	Club membership \$'000	Total \$'000
<b>Group</b>				
<b>Cost</b>				
At 1 April 2019 and 31 March 2020	1,866	22	1	1,889
Write off	–	–	(1)	(1)
Transfer from disposal group asset held for sale (Note 10)	–	459	–	459
<b>At 31 March 2021</b>	<b>1,866</b>	<b>481</b>	<b>–</b>	<b>2,347</b>
<b>Accumulated amortisation and impairment:</b>				
At 1 April 2019	723	22	–	745
Amortisation charged for the financial year	170	–	–	170
Impairment charged for the financial year	973	–	–	973
<b>At 31 March 2020 and 31 March 2021</b>	<b>1,866</b>	<b>22</b>	<b>–</b>	<b>1,888</b>
Net carrying amount				
At 31 March 2020	–	–	1	1
<b>At 31 March 2021</b>	<b>–</b>	<b>459</b>	<b>–</b>	<b>459</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
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## 15 Intangible assets (cont'd)

During the previous financial year ended 31 March 2020, full impairment was recognised by management on the carrying amount of the acquired customer relationships of \$973,000 as Supratechnic group switched the principal of a featured product of which the acquired customer relationships were related to. Therefore, management did not expect future economic benefits to be derived from the acquired customer relationship of Supratechnic group as at end of the financial year 31 March 2020.

### *Impairment test for goodwill*

Goodwill acquired through business combination has been allocated to a cash-generating unit ("CGU"), which is also the reportable operating segment, for impairment testing.

The carrying amount of goodwill allocated to the CGU is as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Recycling of waste oil business	<b>459</b>	–

### *Key assumptions used in value-in-use calculation*

The recoverable amount of the CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rate, revenue growth rates and gross margins during the period. Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The revenue growth rates and gross margins are estimated based on past performance and expected trends and developments in the market including consideration of the current business condition.

The Group's value-in-use calculation was computed based on the cash flow forecasts derived from the most recent financial budgets approved by management covering a five years period. Cash flows beyond the five-year period was extrapolated using an estimated terminal value growth rate of 2%.

Revenue is estimated to grow at 44% in financial year 2022 and 10% in financial years 2023 to 2024. The pre-tax rate used to discount the forecast cash flows from the Group's recycling of waste oil is 10%. Gross margins are estimated based on past performances and management's expectations of market development.

### *Sensitivity to changes in assumptions*

These key inputs and assumptions were estimated by management based on prevailing market, economic and other conditions at the end of the reporting period, and based on management's estimations of the expected orders and recovery in business conditions amidst the current COVID-19 pandemic.

The estimated recoverable amount exceeds its carrying amount approximately \$545,000 as at 31 March 2021. A decrease in the gross profit margin by 2% or a decrease in the revenue by 5%, the Group would have to fully impair on goodwill.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 16 Deferred tax

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

The movements in the deferred tax account are as follows:

	Group	
	2021 \$'000	2020 \$'000
Balance at beginning of the financial year	936	1,169
Currency translation differences	6	(10)
Tax credited to		
- Profit or loss (Note 9)	(261)	23
Transfer from liabilities held for sale (Note 10)	432	(246)
	<hr/>	<hr/>
Balance at end of the financial year	<b>1,113</b>	936
	<hr/>	<hr/>
Representing:		
Non-current		
Deferred tax liabilities	1,481	1,018
Deferred tax assets	(368)	(82)
	<hr/>	<hr/>
	<b>1,113</b>	936
	<hr/>	<hr/>

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

	Accelerated tax depreciation \$'000	Fair value uplift on assets from acquisition of subsidiaries \$'000	Provisions \$'000	Others \$'000	Total \$'000
At 1 April 2019	(120)	1,133	–	156	1,169
(Credit)/charged to profit or loss for the financial year	(271)	92	(79)	281	23
Transfer from liabilities held for sale	96	–	(77)	(265)	(246)
Currency translation differences	–	(1)	(9)	–	(10)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	(295)	1,224	(165)	172	936
(Credit)/charged to profit or loss for the financial year	(197)	289	–	(353)	(261)
Transfer from liabilities held for sale (Note 10)	224	75	133	–	432
Currency translation differences	–	–	–	6	6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	<b>(268)</b>	<b>1,588</b>	<b>(32)</b>	<b>(175)</b>	<b>1,113</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 17 Inventories

	Group	
	2021 \$'000	2020 \$'000
Finished goods	8,995	11,194
Goods in transit	782	142
	<b>9,777</b>	<b>11,336</b>

The following amounts are recognised in profit or loss:

Inventories recognised as an expense in cost of sales	20,906	23,601
Inclusive of the following:		
- Inventories written down (Note 7)	271	141

## 18 Trade and other receivables

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade receivables:				
Third parties	3,888	5,085	1,395	–
Less: Allowance for impairment	(1,371)	(1,304)	(140)	–
	<b>2,517</b>	3,781	<b>1,255</b>	–
Other receivables:				
- Third parties	1,258	1,116	–	–
- Subsidiaries	–	–	37,578	39,140
Less: Allowance for impairment	(555)	(498)	(29,682)	(25,619)
	<b>703</b>	618	<b>7,896</b>	13,521
Deposits	467	389	200	72
Prepayments	377	436	4	9
Other recoverable	259	259	259	259
Advance payment to supplier	840	–	–	–
Tax recoverable	64	45	–	–
	<b>2,710</b>	1,747	<b>8,359</b>	13,861
	<b>5,227</b>	5,528	<b>9,614</b>	13,861

Other recoverable of \$259,000 (2020: \$259,000) relates to the 7.4 million of performance shares purportedly issued to a former Chief Executive Officer (“CEO”) during the previous year ended 31 March 2020. The Company was of the view that 7.4 million shares were subject to forfeiture upon the former CEO’s resignation. A substantial shareholder had obtained an injunction (“Injunction”) against the former CEO from exercising his rights to these shares. The Company had also commenced legal proceedings to forfeit the shares. Both the legal actions by the substantial shareholder and the Company had been ordered by the High Court to be combined into a single action by way of a single writ for further disposition. Pursuant to the Injunction and an undertaking from the former CEO’s counsel, the said former CEO’s will not exercise his rights over the shares and will not dispose the shares. Judgement has been entered on 18 January 2022 (Note 29).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 18 Trade and other receivables (cont'd)

Movement in allowance for impairment loss are as follows:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade receivables:				
At 1 April	1,304	385	–	–
Impairment loss recognised in profit or loss (Note 7)	13	979	140	–
Currency translation difference	54	(60)	–	–
At 31 March	1,371	1,304	140	–
Other receivables:				
At 1 April	498	464	25,619	19,853
Impairment loss recognised in profit or loss (Note 7)	57	34	4,983	5,766
Write back	–	–	(70)	–
Currency translation difference	–	–	(850)	–
At 31 March	555	498	29,682	25,619

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

## 19 Cash and cash equivalents

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Bank and cash balances	2,120	1,111	250	87
Fixed deposits	2,850	2,684	100	–
	4,970	3,795	350	87

At the end of the reporting period, restricted cash represented fixed deposits pledged to secure certain bank facilities amounted to approximately \$2,750,000 (2020: \$2,684,000) (Note 24).

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

	Group	
	2021 \$'000	2020 \$'000
Cash at bank and in hand and short term-term deposits		
- Continuing operations	4,970	3,795
- Discontinued operation (Note 10)	–	53
	4,970	3,848
Less: Bank overdrafts (Note 24)	(875)	(1,017)
Less: Restricted cash-pledged bank deposits	(2,750)	(2,684)
	1,345	147

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 20 Share capital

	Group and Company			
	2021		2020	
	Number of issued shares '000	Issued share capital \$'000	Number of issued shares '000	Issued share capital \$'000
At 1 April	98,322	51,172	90,922	50,913
Issuance of shares pursuant to PSP	–	–	7,400	259
At 31 March	<b>98,322</b>	<b>51,172</b>	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.

### *Performance share plan*

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

On 17 September 2019, 7,400,000 shares were granted under PSP to a former CEO of the Group (Note 18).

## 21 Treasury shares

	Group and Company			
	2021		2020	
	Number of issued shares	\$'000	Number of issued shares	\$'000
Balance at beginning and end of financial year	<b>634,600</b>	<b>99</b>	634,600	99

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
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## 22 Other reserves

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Foreign currency translation reserve	(243)	(16)	–	–
Gain or loss on reissuance of treasury shares	(504)	(504)	(504)	(504)
Capital reserve	2,941	2,941	–	–
Others	2,507	2,507	149	149
	<b>4,701</b>	<b>4,928</b>	<b>(355)</b>	<b>(355)</b>

### a) Foreign currency translation reserve

Foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### b) Gain or loss on reissuance of treasury shares

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

### c) Capital reserve pertains to the followings:

- Revaluation surplus arising from the freehold land and building in May 2011, being transferred to capital reserve for the purpose of issuing bonus share.
- The premium received from non-controlling interest for acquisition of parts of non-controlling interest in subsidiaries, Supratechnic (M) Sdn. Bhd. and Scientific & Industrial Instrumentation Pte. Ltd. on 1 March 2019 amounting to \$2,884,000.

### d) Others - equity consideration

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

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

## 23 Other payables, non-current

	Group	
	2021 \$'000	2020 \$'000
Security deposits	274	172

The non-current portion of security deposits were unsecured and carried at amortised costs with an imputed interest rate of 5%. The carrying amounts of the non-current position of security deposits approximate their fair values at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 24 Borrowings

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Non-current:				
<u>Bank loans</u>				
Bank loan I	23	166	–	–
Bank loan III	1,367	1,473	–	–
Bank loan VI	17,388	–	–	–
Bank loan IX	368	336	–	–
	<b>19,146</b>	<b>1,975</b>	<b>–</b>	<b>–</b>
Lease liabilities	<b>4,626</b>	<b>1,240</b>	<b>162</b>	<b>–</b>
	<b>23,772</b>	<b>3,215</b>	<b>162</b>	<b>–</b>
Current:				
<u>Bank loans</u>				
Bank loan I	153	154	–	–
Bank loan II	900	900	–	–
Bank loan III	169	143	–	–
Bank loan IV	4,349	4,395	–	–
Bank loan V	51	–	–	–
Bank loan VI	1,548	19,050	–	–
Bank loan VII	–	1,447	–	–
Bank loan VIII	57	121	–	–
Bank loan IX	226	150	–	–
	<b>7,453</b>	<b>26,360</b>	<b>–</b>	<b>–</b>
Lease liabilities	<b>477</b>	<b>196</b>	<b>123</b>	<b>–</b>
Bank overdrafts	<b>875</b>	<b>1,017</b>	<b>–</b>	<b>–</b>
Trade financings	<b>8,352</b>	<b>10,875</b>	<b>–</b>	<b>–</b>
Loan from shareholder	<b>–</b>	<b>1,500</b>	<b>–</b>	<b>1,500</b>
Loan from third party	<b>–</b>	<b>150</b>	<b>–</b>	<b>–</b>
	<b>17,157</b>	<b>40,098</b>	<b>123</b>	<b>1,500</b>
	<b>40,929</b>	<b>43,313</b>	<b>285</b>	<b>1,500</b>

### a) Secured liabilities

#### *Bank loans*

Loan I is secured by mortgage over certain leasehold property (Note 12) of Scientific & Industrial Instrumentation Pte. Ltd., personal guarantee by a former director of the Company and corporate guarantee by the Company. The 5-year term-loan is repayable over monthly instalments (comprising principal and interest) with final repayment in 2022. The loan bears floating interest rate ranging from 3.72% to 6.23% (2020: 3.78% to 4.02%) per annum calculated on a monthly rest basis. The loan is denominated in Singapore Dollar.

Loan II is secured by mortgage over certain leasehold property (Note 12) of Scientific & Industrial Instrumentation Pte. Ltd., personal guarantee by a former director of the Company and corporate guarantee by the Company. Bank loan II bears a floating rates of 1.91% to 3.22% (2020: 3.28% to 3.51%) per annum an rolled over on quarterly basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 24 Borrowings (cont'd)

### a) Secured liabilities (cont'd)

#### *Bank loans (cont'd)*

Loan III is secured by Supratechnic (M) Sdn Bhd on certain properties of the subsidiaries and a third party, fixed deposits of the subsidiary (Note 19) and corporate guarantee by Supratechnic Pte Ltd. The loan bears interest rates ranging from 1.00% to 1.25% per annum above the bank's prevailing base lending rate and is repayable by monthly instalments over 15 years commenced in 2014. The loan bear interest rates ranging from 3.50% to 3.60% (2020: 4.75% to 4.95%) per annum. The loan is denominated in Malaysian Ringgit.

Loan IV is secured by USPI Investment Pte Ltd on mortgage over certain leasehold properties (Note 12), personal guarantee by a former director of the Company, corporate guarantee by the Company, first fixed charge over 100% shares in the share capital of Supratechnic Pte Ltd and USPI Investment Pte Ltd, and a fixed and floating charge over Supratechnic's Pte Ltd's present and future undertakings, property assets, revenues and rights. The 5-year term loan is repayable over 60 monthly instalments (comprising principal and interest) from May 2016 and amortised over 16 years loan profile with final bullet payment at the end of loan maturity date. The loan bears interest at 2.00% per annum over the applicable 3-month SWAP Offer Rate ("SOR") or 2.00% per annum over the prevailing 3-month Cost of Funds ("COF"), whichever is the higher, or at such other rates as the bank may stipulate from time to time at its absolute discretion. The effective interest rates range from 2.40% to 3.02% (2020: 3.78% to 4.01%) per annum. The loan is denominated in Singapore Dollar. This loan is classified as current as the loan repayment is due but the Group did not make repayments during the financial year.

Loan V is secured by Biofuel Research Pte. Ltd. on mortgage over its leasehold property (Note 12), corporate guarantees by the Company and personal guarantee by a former director of the Company. The bank loan bears interest at fixed rate of 6.25% (2020: 6.25%) per annum. It is repayable over 60 monthly instalments from January 2017 and with final repayment in 2021. The loan is denominated in Singapore Dollar.

Loan VI is secured by USPP Woodlands Pte Ltd on mortgage over certain investment properties (Note 13), legal assignment of rental proceeds or charge over rental account to be executed of all current and future rental income from the investment property, personal guarantee by a former director of the Company, corporate guarantee by the Company, first fixed charge over 100% shares in the share capital of USPP Woodlands Pte Ltd and 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 2.42% (2020: 3.72%) per annum. The loan is denominated in Singapore Dollar. The Group had 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 contract was terminated on 19 May 2020. The information of interest rate swap was disclosed in Note 26.

Loan VII was secured by mortgage over certain leasehold property (Note 12), personal guarantee by a former director of the Company and corporate guarantee by the Company. The 10-year commercial property loan was repayable over monthly instalments (comprising principal and interest) with final repayment in October 2027. The loan bears interest of 1.50% per annum over the prevailing 3-month Singapore Inter Bank Offer Rate ("SIBOR") or Cost of Funds ("COF") whichever is higher in the first 3 years, thereafter the interest shall be at the bank's commercial financing rate of 5.75% per annum. The effective interest rate was 2.50% (2020: 3.41%) per annum. The loan is denominated in Singapore Dollar. The loan was fully repaid during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 24 Borrowings (cont'd)

### a) Secured liabilities (cont'd)

#### *Bank loans (cont'd)*

Loan VIII is secured by mortgage over certain leasehold properties (Note 12), personal guarantee by a former director of the Company and corporate guarantee by the Company. The loan bears interest of 1.50% per annum over the prevailing 3-month Singapore Inter Bank Offer Rate ("SIBOR") or Cost of Funds ("COF") whichever is higher in the first 3 years, thereafter the interest shall be at the bank's commercial financing rate of 5.75% per annum. The loan is repayable by monthly instalments over 5 years commenced in 2017. The effective interest rate was 6.25% (2020: 6.25%) per annum. The loan is denominated in Singapore Dollar.

Loan IX is secured by PT Supratechnic Instrumentasi Indonesia and on a first legal charge over a leasehold building of the subsidiary (Note 12) and bore interest rates ranging from 9.45% to 10.0% (2020: 9.50% to 10.0%) per annum. The loan is denominated in Indonesian Rupiah.

#### *Bank overdrafts*

Bank overdrafts bear interest rates ranging from 6.35% to 6.50% (2020: 7.35% to 7.90%) per annum and are secured by the subsidiary's leasehold properties and joint and several personal guarantees of the former directors of the Company and subsidiaries.

#### *Trade Financings*

Trade financings comprise bridging loan, trust receipts and short term loan. Trade financings bear interest rates ranging from 2.00% to 4.59% (2020: 2.00% to 6.90%) per annum for the Group and had matured before the end of the current reporting period (2020: 1 to 3 months from the end of the reporting period).

Trade financings are secured by:

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

#### *Loan from shareholder*

The loan from shareholder was unsecured, bore interest of 4% per annum and repayable on demand. The shareholder had commenced a winding up application against the Company for \$1,500,000 (Note 29). The loan was repaid during the financial year.

#### *Loan from third party*

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 24 Borrowings (cont'd)

### b) Fair values

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

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

### c) Breach of covenant and default

On 30 March 2021, the Group's subsidiaries obtained letters from the bank to accommodate the breach of loan covenants on a one-off basis as the Company, who is the corporate guarantor, did not fulfil the requirement to maintain a minimum consolidated tangible net worth of \$25 million and a subsidiary did not fulfil the requirement to maintain a minimum debt service coverage ratio of 1.5. In addition to the waiver granted, on 30 March 2021, the bank also revised the loan covenant for the Company to maintain a minimum consolidated tangible net worth of \$20 million at all times.

Interest payables of \$492,000 on the Group's borrowings were due but remained unpaid as at 31 March 2021. The carrying amount of total borrowings in default as at 31 March 2021 were \$12,701,000. Accordingly, these borrowings were classified as current liabilities on the statements of financial position as at 31 March 2021.

As at 31 March 2020, certain subsidiaries have breached its loan covenant as the Company, who is the corporate guarantor, did not fulfil the requirement to maintain a minimum consolidated tangible net worth of \$30 million and a subsidiary did not fulfil the requirement to maintain a minimum debt service coverage ratio of 1.5 times. As a result, the bank is contractually entitled to request for immediate repayment of the outstanding loan amounts of \$25,013,000 from continuing operations and of \$815,000 from discontinued operation in which \$24,033,000 are due after 12 months from the end of the reporting year. The non-current bank loans of discontinued operation amounted to \$51,000 at the end of the reporting year were classified as liabilities of a disposal group held for sale under current liabilities in accordance with the requirement of SFRS (I) 5, *Non-current Assets Held for Sale and Discontinued Operations*. Consequently, the non-current bank loans of continuing operations amounted to \$23,982,000 at the end of 31 March 2020 were classified as current liabilities in accordance with the requirement of SFRS (I) 1-1, *Presentation of Financial Statements*. On 16 December 2020, the subsidiaries obtained waiver on the breach on a one-off basis together with the revision of loan covenant to maintain a minimum consolidated tangible net worth of \$25 million at all times.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
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## 24 Borrowings (cont'd)

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

	Bank loans \$'000	Lease liabilities \$'000	Trade financings \$'000	Loan from shareholder \$'000	Loan from third party \$'000	Total \$'000
<b>Group 2021</b>						
Balance at 1 April 2020	29,150	5,267	10,875	1,500	150	46,942
Changes from financing cash flows:						
- Proceeds	282	–	–	–	–	282
- Repayments	(2,831)	(432)	(2,182)	(1,500)	(150)	(7,095)
- Interest paid	(764)	(326)	(93)	(45)	(8)	(1,236)
Non-cash changes:						
- Interest expense	875	326	473	45	8	1,727
- New leases	–	382	–	–	–	382
Interest payable	(111)	–	(381)	–	–	(492)
Foreign exchange translation	(2)	(36)	(340)	–	–	(378)
Non-cash rent concession	–	(78)	–	–	–	(78)
<b>Balance at 31 March 2021</b>	<b>26,599</b>	<b>5,103</b>	<b>8,352</b>	<b>–</b>	<b>–</b>	<b>40,054</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 24 Borrowings (cont'd)

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

	Bank loans \$'000	Lease liabilities \$'000	Finance lease liabilities \$'000	Trade financings \$'000	Loan from shareholder \$'000	Loan from third party \$'000	Total \$'000
<b>Group</b>							
2020							
Balance at 1 April 2019	35,055	–	220	11,235	–	–	46,510
Reclassification from finance lease liabilities on adoption of SFRS(I) 16	–	220	(220)	–	–	–	–
On adoption of SFRS(I) 16	–	5,332	–	–	–	–	5,332
Changes from financing cash flows:							
- Proceeds	–	–	–	–	1,500	350	1,850
- Repayments	(5,905)	(399)	–	(360)	–	(200)	(6,864)
- Interest paid	(1,440)	(339)	–	(773)	(19)	(6)	(2,577)
Non-cash changes:							
- Interest expense	1,440	339	–	773	19	6	2,577
- New leases	–	114	–	–	–	–	114
Balance at 31 March 2020	29,150	5,267	–	10,875	1,500	150	46,942
Represented by:							
- continued operations	28,335	1,436	–	10,875	1,500	150	42,296
- discontinued operation	815	3,831	–	–	–	–	4,646
	29,150	5,267	–	10,875	1,500	150	46,492

## 25 Provision for restoration cost

	Group	
	2021 \$'000	2020 \$'000
Balance at 1 April	–	–
Transfer from asset held for sale	191	–
Balance at 31 March	191	–

The provision for restoration costs represents the present value of management's best estimate of the future outflow of economic benefits that will be required to reinstate the lease property to its original state. The estimate has been made on the basis of quotes obtained from external contractors. The unexpired terms of the lease is 9 years and 8 months (2020: 10 years and 8 months).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 26 Derivative financial instruments

	Group	
	2021 \$'000	2021 \$'000
Derivatives with negative fair values:		
- Interest rate swap contracts	-	14

The purpose of this contract was to convert floating interest rate of banks borrowing at 3 month swap offer rate +2% per annum (Note 24) to fixed rate at 1.99% per annum for next 3 years. As a matter of principle, the Group did not enter into derivative contract for speculative purposes. The interest rate swap has a rational amount of \$12,000,000 and was terminated on 19 May 2020.

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

## 27 Trade and other payables

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade payables	1,100	1,907	-	
Deposit received	543	741	-	-
Deferred consideration	-	350	-	-
Other payables - Third parties	997	480	447	144
Subsidiaries	-	-	2,037	1,712
Accrued operating expenses	1,700	549	414	301
Consideration deposit for disposal of a subsidiary (Note 10)	1,500	-	1,500	-
Deferred rent payable	41	41	-	-
	<b>5,881</b>	4,068	<b>4,398</b>	2,157

Deferred consideration was part of the purchase consideration for acquisition of Supratechnic group. The deferred consideration comprises cash consideration of \$750,000 and share consideration (Note 22(d)). The deferred consideration was settled during the year.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand except for a loan from a subsidiary amounting to \$1,454,000 (2020: \$1,285,000) which bears interest of 5% (2020: 5%) per annum and repayable in March 2019. The loan remains unpaid as at 31 March 2021.

## 28 Contract liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 28 Contract liabilities (cont'd)

	2021 \$'000	Group 2020 \$'000	1.4.2019 \$'000
Trade receivables from contract with customers	2,517	3,781	6,989
Contract liabilities	904	292	183

Contract liabilities balances increased due to increase in advance payments from customers.

## 29 Contingent liabilities

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

- (i) On 25 September 2019, Mr Oon Koon Cheng (“Mr Oon”) commenced originating summons no. OS1192/2019 (“OS1192”) against the Company and Dr Lim Boh Soon (“Dr Lim”). All the issues in OS1192 had been dealt with save for one issue, i.e. a declaration that the grant of award of 7.4 million shares to Dr Lim is in breach of the Rules of the Performance Share Place and is thus invalid. OS1192 was subsequently converted into a writ action in S115/2020 (“S115”) and consolidated with S116/2020 on 28 November 2019. Judgment has been entered for both S115 and S116 on 18 January 2022 in that (i) Dr Lim shall return the 7.4million shares the Company by 8 February 2022; (ii) the Company shall proceed to cancel the 7.4 million shares within 30 days of the return of the 7.4million shares; (iii) the Company shall pay costs fixed at S\$130,000 plus reasonable disbursements to Mr Oon. The Company is exposed to contingent liabilities amounting to an estimated sum of S\$130,000 being the legal costs payable to Mr Oon and Dr Lim for S115 and S116. Provision for an estimated sum of S\$130,000 was made in the financial statements.
- (ii) On 11 November 2019, the Company commenced originating summons no. OS1408/2019 (“OS1408”) against Dr Lim Boh Soon (“Dr Lim”). OS1408 was brought by the Company pursuant to a letter of employment dated 16 September 2019 for a declaration that the issuance of 7.4 million shares to Dr Lim be forfeited. OS1408 was subsequently converted into a writ action in S116/2020 (“S116”) and consolidated with S115 on 28 November 2019. Please refer to (i) above in respect of the quantum of the financial exposure.
- (iii) On 7 April 2020, the Company, together with its subsidiaries (collectively referred to as “the Group”), commenced High Court suit no. S328/2020 (“S328”) against M/s Sin Hong Hwa Pte Ltd, Mr Oon Koon Cheng and Mr Li Hua (collectively referred to as “the Defendants”). S328 was brought by the Group pursuant to a sale and purchase agreement of Koon Cheng Development Pte Ltd dated 18 December 2015 (“SPA”) against the Defendants for fraudulent misrepresentations, failure to perform conditions precedent of SPA, and unlawful means conspiracy. The Group sought the following relief against the Defendants: (1) the sum of S\$13,677,600; (2) alternatively, damages to be assessed; (3) alternatively, damages for misrepresentation; (4) costs; (5) interest; and (6) such further or other orders as the Court deems fit. The next Pre-Trial Conference for S328 has been scheduled on 2 March 2022 at 2.30pm. As at the date of the financial statements, management is unable to determine the quantum of the financial exposure, if any.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
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## 29 Contingent liabilities (cont'd)

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

- (iv) On 9 June 2020, the Company, together with its subsidiary (collectively referred to as “the Group”), commenced DC Suit No. DC1363/2020 (“DC1363”) against Mr Yin Kum Choy (“Mr Yin”) and Mr Oon Koon Cheng (“Mr Oon”) (collectively referred to as “the Defendants”). The action was brought by the Group against (1) Mr Yin for breach of fiduciary duties; (2) against Mr Oon for dishonest assistance / knowing assistance; and (3) against the Defendants for unlawful means conspiracy. The following reliefs were sought by the Group against the Defendants: (1) an order that Mr Yin has breached his duties to the Group; (2) an aggregate sum of \$130,227; (3) legal costs incurred by the Group in relation to OS317 and CWU108; (4) alternatively, damages to be assessed; (5) such other sum as the Court thinks fit; (6) costs; (7) interest; and (8) such further or other orders which the Court deems just and fit. DC1363 was transferred to High Court on 16 March 2021 in High Court Suit No. S292 of 2021. The next Pre-Trial Conference for S292 is currently fixed on 9 March 2022 at 2.30pm. As at the date of the financial statements, management is unable to determine the quantum of the financial exposure, if any.
- (v) On 8 July 2020, Mr Oon Koon Cheng (“Mr Oon”) commenced High Court Suit No. S612/2020 (“S612”) against the Company, Mr Tanoto Sau Ian and Mr Li Hua (collectively referred to as “the Defendant”). This action was brought by Mr Oon against the Defendant for conspiracy with the intention to injure Mr Oon’s interests. The reliefs sought by Mr Oon are (1) injunctive relief against the Defendants; (2) damages; (3) costs; (4) interests; and (5) such further orders which the Court deems fit and/or just. As at the date of the financial statements, under the advice of the legal counsel, the management is of the view that the probability of success of the Mr Oon’s claim against the Company is slim. The next Pre-Trial Conference for S612 has been fixed on 30 March 2022 at 2.30pm. As at the date of the financial statements, management is unable to determine the quantum of the financial exposure, if any.
- (vi) On 8 September 2020, the Company commenced High Court Suit No. S855/2020 (“S855”) against Mr Yin Kum Choy (“Mr Yin”) and M/s TMF Singapore H Pte Ltd (“TMF”) (collectively referred to as “the Defendants”). The action was brought by the Company in relation to the Circular issued for the Company’s Extraordinary General Meeting on 10 February 2020 (“the Circular”). The following reliefs were sought by the Company against the Defendants: (1) an Order that the Circular was, under the advice of the TMF, in breach of Rule 1206(1) of SGX Mainboard Rules; (2) an Order that Mr Yin has breached his duties to the Company; (3) damages, loss and expenses to be assessed; (4) equitable compensation; (5) interest; (6) costs; and (7) such further or other reliefs which the Court deems fit. On 6 December 2021, the Company entered into a Settlement Agreement with the 2<sup>nd</sup> Defendant, TMF, and the 3<sup>rd</sup> Defendant, an employee of TMF who had been added as a defendant in S855 later on. The next Pre-Trial Conference for S855 has been fixed on 9 March 2022 at 2.30pm. As at the date of the financial statements, management is unable to determine the quantum of the financial exposure, if any.
- (vii) On 22 January 2021, the Company commenced High Court Suit No. S88/2021 (“S88”) against Mr Tham Wai Mun Raphael (“Mr Tham”), Mr Wong Peng Wai (“Mr Wong”), Mr Chau Leung Yu (“Mr Chau”), Mr Pua Chieh Sze (“Mr Pua”) and Ms Lim Soh Sian (“Ms Soh”) (collectively referred to as “the Defendants”). The action was brought by the Company, in relation to the acquisition of three (3) Eco Fuel Transaction Plants, against the Defendants for Breach of Fiduciary Duties, Dishonest Assistance, Fraudulent Misrepresentation / Deceit, Breach of Contract, Unlawful Interference with / Inducing a Breach of Contract, and Unlawful Conspiracy. The following reliefs were sought by the Company against the Defendants: (1) an Order for accounting on a wilful default or common account basis against Mr Tham and Mr Wong; (2) an Order that the Defendants pay damages of US\$ 11 million to the Company; (3) an Order that Mr Tham pay damages; (4) an Order that Mr Wong pay damages; (5) a declaration that each Sales Agreement had been rescinded; (6) a declaration there is a charge in favour of the Company over assets transacted in breach of duty; (7) an Order that the Defendants restore to the Plaintiff any assets transacted in breach of duty; (8) an Order that Mr Tham and Mr Wong indemnify the Company and hold the Company harmless against liabilities, loss or damaged incurred or to be incurred as a result of the under-declaration of GST; (9) costs; (10) interests; and (11) such further or other reliefs as the Court deems fit. The next Pre-Trial Conference is fixed on 16 February 2022 at 2:30pm. As at the date of the financial statements, management is unable to determine the quantum of the financial exposure, if any.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
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## 29 Contingent liabilities (cont'd)

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

- (viii) On 2 February 2021, the Company, together with its subsidiaries (collectively referred to as “the Group”), commenced High Court Suit No. S130/2021 (“S130”) against Mr Li Hua (“Mr Li”). The action was brought by the Group, in relation to the acquisition of three (3) Eco Fuel Transaction Plants, Sale and Purchase of Koon Cheng Development Pte Ltd, and the installation of Automated Environmental Sanitizer System, against Mr Li for Breach of Director’s Duties. The following reliefs were sought by the Company against Mr Li: (1) a declaration that the Defendant has breached his duties to the Group; (2) the sum of US\$11 million; (3) the sum of S\$13,677,600.00; (4) the sum of S\$138,672.00; (5) an account of the profit made by Mr Li by reason of all said transactions; (6) payment of all sums found due to the Group on taking the aforementioned account; (7) indemnity for loss and expenses incurred by the Group as a result of the underpayment of GST; (8) indemnity for loss and expenses incurred by the Group in S328; (9) loss and damages to be assessed; (10) equitable compensation; (11) interest under Section 12 of the Civil Law Act (Cap 43); (12) costs; and (13) such further or other relief as the Court thinks fit. The next Pre-Trial Conference is fixed on 9 March 2022 at 2.30pm. As at the date of the financial statements, management is unable to determine the quantum of the financial exposure, if any.
- (ix) On 13 December 2021, the Company commenced Originating Summons No. OS1270/2021 (“OS1270”) against Fervent Chambers LLC (“Fervent”). OS1270 was brought by the Company to seek an order against Fervent to send the disputed invoices for taxation. OS1270 has been fixed for final hearing on 14 March 2022 at 10am. As at the date of the financial statements, management is unable to determine the quantum of the financial exposure, if any.
- (x) On 6 June 2021, Fervent Chambers LLC (“Fervent”) commenced Bill of Costs No. BC 77/2021 to tax the disputed invoice no. FCL/D/2021-04-18 for an amount of S\$37,643.77 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suit No. S612/2020. At the hearing on 16 November 2021, the Court has allowed (i) costs at S\$27,530.73; and (ii) Court allocator fees at S\$1,651.84 with an additional fee of S\$50 for the Registrar’s Certificate to be awarded to Fervent. On 23 November 2021, the Company had filed for a review of the taxation order made on 16 November 2021. The next Pre-Trial Conference is fixed on 22 March 2022 at 3pm. As at the date of the financial statements, management has assessed that no provision will be required in the financial statements.
- (xi) On 9 June 2021, Fervent Chambers LLC (“Fervent”) commenced Bill of Costs No. BC 81/2021 (“BC81”) to tax the disputed invoice no. FCL/D/2021-04-16 for an amount of S\$36,749.50 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suit No. S855/2020. At the hearing on 16 November 2021, the Court has allowed (i) costs at S\$33,159.60; and (ii) Court allocator fees at S\$1,989.58 with an additional fee of S\$50 for the Registrar’s Certificate to be awarded to Fervent. On 23 November 2021, the Company had, filed for a review of the taxation order made on 16 November 2021. The next Pre-Trial Conference is fixed on 22 March 2022 at 3pm. As at the date of the financial statements, management has assessed that no provision will be required in the financial statements.
- (xii) On 11 June 2021, Fervent Chambers LLC (“Fervent”) commenced Bill of Costs No. BC 82/2021 (“BC82”) to tax the disputed invoice no. FCL/D/2021-04-19 for an amount of S\$17,096.25 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suit No. S292/2021. At the hearing on 16 November 2021, the Court has allowed (i) costs at S\$16,782.25; and (ii) Court allocator fees at S\$1,006.94 with an additional fee of S\$50 for the Registrar’s Certificate to be awarded to Fervent. On 23 November 2021, the Company had, through its solicitors, filed for a review of the taxation order made on 16 November 2021. The next Pre-Trial Conference is fixed on 22 March 2022 at 3pm. As at the date of the financial statements, management has assessed that no provision will be required in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
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## 29 Contingent liabilities (cont'd)

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

- (xiii) On 11 June 2021, Fervent Chambers LLC (“Fervent”) commenced Bill of Costs No. BC 83/2021 (“BC83”) to tax the disputed invoice no. FCL/2021-04-35 for an amount of S\$18,944.00 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suits No. S115/2020 and S116/2020. At the hearing on 16 November 2021, the Court has allowed (i) costs at S\$17,120.31; and (ii) Court allocator fees at S\$1,027.22 with an additional fee of S\$50 for the Registrar’s Certificate to be awarded to Fervent. On 23 November 2021, the Company had, through its solicitors, filed for a review of the taxation order made on 16 November 2021. The next Pre-Trial Conference is fixed on 22 March 2022 at 3pm. As at the date of the financial statements, management has assessed that no provision will be required in the financial statements.
- (xiv) On 9 July 2021, Fervent Chambers LLC (“Fervent”) commenced Bill of Costs No. BC 100/2021 (“BC100”) to tax the disputed invoice no. FCL/ 2021-06-08 for an amount of S\$20,476.31 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suit No. S292/2021. At the hearing on 16 November 2021, the Court has allowed (i) costs at S\$19,123.79; and (ii) Court allocator fees at S\$1,179.61 with an additional fee of S\$50 for the Registrar’s Certificate to be awarded to Fervent. On 23 November 2021, the Company had filed for a review of the taxation order made on 16 November 2021. The next Pre-Trial Conference is fixed on 22 March 2022 at 3pm. As at the date of the financial statements, management has assessed that no provision will be required in the financial statements.
- (xv) On 9 July 2021, Fervent Chambers LLC (“Fervent”) commenced Bill of Costs No. BC 101/2021 (“BC101”) to tax the disputed invoice no. FCL/2021-06-07 for an amount of S\$47,137.26 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suit No. S855/2020. At the hearing on 16 November 2021, the Court has allowed (i) costs at S\$40,278.93; and (ii) Court allocator fees at S\$2,416.74 with an additional fee of S\$50 for the Registrar’s Certificate to be awarded to Fervent. On 23 November 2021, the Company had, through its solicitors, filed for a review of the taxation order made on 16 November 2021. The next Pre-Trial Conference is fixed on 22 March 2022 at 3pm. As at the date of the financial statements, management has assessed that no provision will be required in the financial statements.

## 30 Financial instruments

### a) Categories of financial instruments

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<i>Financial assets</i>				
Financial assets at amortised costs	8,657	9,131	9,701	13,680
<i>Financial liabilities</i>				
Financial liabilities at amortised costs	47,043	52,653	4,683	3,657
Derivative financial instruments at fair value	–	14	–	–
	<b>47,043</b>	<b>52,667</b>	<b>4,683</b>	<b>3,657</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management

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

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

#### *Foreign currency risk*

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

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

	USD \$'000	JPY \$'000	MYR \$'000	Total \$'000
<b>Group</b>				
<b>2021</b>				
<i>Financial assets</i>				
Cash and cash equivalents	223	9	–	232
Trade and other receivables	142	–	–	142
Total financial assets	365	9	–	374
<i>Financial liabilities</i>				
Trade and other payables	(14,819)	(349)	(17)	(15,185)
Borrowings	(4,234)	(975)	–	(5,209)
Total financial liabilities	(19,053)	(1,324)	(17)	(20,394)
<b>Net financial liabilities denominated in foreign currencies</b>	<b>(18,688)</b>	<b>(1,315)</b>	<b>(17)</b>	<b>(20,020)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### Foreign currency risk (cont'd)

	USD \$'000	JPY \$'000	MYR \$'000	Total \$'000
<b>Group</b>				
2020				
<i>Financial assets</i>				
Cash and cash equivalents	7	10	1	18
Trade and other receivables	566	–	–	566
Total financial assets	573	10	1	584
<i>Financial liabilities</i>				
Trade and other payables	(16,564)	(403)	(2,070)	(19,037)
Borrowings	(4,998)	(1,201)	–	(6,199)
Total financial liabilities	(21,562)	(1,604)	(2,070)	(25,236)
Net financial liabilities denominated in foreign currencies	(20,989)	(1,594)	(2,069)	(24,652)

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

Sensitivity analysis:

	Group	
	2021 \$'000	2021 \$'000
A hypothetical 10% (2020: 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	1,869	2,099
A hypothetical 10% (2020: 10%) strengthening in the exchange rate of the functional currency \$ against JPY with all other variables held constant would have a favourable effect on pre-tax profit of	132	159
A hypothetical 10% (2020: 10%) strengthening in the exchange rate of the functional currency \$ against MYR with all other variables held constant would have a favourable effect on pre-tax profit of	2	207

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### *Interest rate risk*

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

	2021 \$'000	2021 \$'000
<i>Financial liabilities</i>		
Fixed rates	5,748	20,807
Floating rates	35,181	27,152

Sensitivity analysis:

A hypothetical variation in floating interest rate by 100 basis points with all other variables held constant, would have an increase/decrease in pre-tax loss for the year by

352	272
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The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in term of changing of their cash flows and therefore in terms of the impact on profit or loss. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

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

#### *Credit risk*

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

The Group has no significant concentration of credit risk. The Company has no significant concentration of credit risk except for the loans and receivables from subsidiaries as disclosed in Note 18.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### *Credit risk (cont'd)*

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

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

#### *Significant increase in credit risk*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### *Credit risk (cont'd)*

##### *Significant increase in credit risk (cont'd)*

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

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

##### *Definition of default*

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

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

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

##### *Credit-impaired financial assets*

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

##### *Estimation techniques and significant assumptions*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### *Credit risk (cont'd)*

#### *Estimation techniques and significant assumptions (cont'd)*

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

	<b>Group</b>	
	<b>2021</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Top 1 customer	<b>282</b>	321
Top 2 customers	<b>195</b>	291
Top 3 customers	<b>147</b>	231

The Company has significant credit risk exposures arising on amounts due from subsidiaries (Note 18).

The maximum exposure to credit risk is represented by the carrying amount of each financial assets presented on the statements of financial position and the amount of \$41,307,000 (2020: \$36,394,000) relating to corporate guarantees given by the Company to banks for the subsidiaries' bank borrowings (Note 24).

Movements in credit loss allowance are as follows:

	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>			
Balance at 1 April 2019	385	464	849
Loss allowance measured:			
Lifetime ECL			
- simplified approach	979	–	979
- credit-impaired	–	34	34
- currency translation differences	(60)	–	(60)
	919	34	953
Balance at 31 March 2020	1,304	498	1,802
Loss allowance measured:			
Lifetime ECL			
- simplified approach	13	–	13
- credit-impaired	–	57	57
- currency translation differences	54	–	54
	67	57	124
Balance at 31 March 2021	<b>1,371</b>	<b>555</b>	<b>1,926</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### *Credit risk (cont'd)*

Movements in credit loss allowance are as follows (cont'd):

	Trade receivables \$'000	Other receivables \$'000	Total \$'000
<b>Company</b>			
Balance at 1 April 2019	–	19,853	19,853
Loss allowance measured: Lifetime ECL			
- credit-impaired	–	5,766	5,766
	–	5,766	5,766
Balance at 31 March 2020	–	25,619	25,619
Loss allowance measured: Lifetime ECL			
- credit-impaired	140	4,983	5,123
- write back	–	(70)	(70)
- currency translation differences	–	(850)	(850)
	140	4,063	4,203
Balance at 31 March 2021	<b>140</b>	<b>29,682</b>	<b>29,822</b>

#### *Trade receivables*

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

There has been no change in the estimation techniques or significant assumptions made during the current financial year. In view of the current COVID-19 pandemic, the Group has considered the impact of the pandemic on the recoverability and liquidity of its trade receivables and in particular, whether there are significant decline in the repayment ability of its debtors. There has been no change in the estimation techniques or significant assumptions made during the current financial year.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### *Credit risk (cont'd)*

#### *Trade receivables (cont'd)*

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

	Not past due \$'000	Past due			More than 1 year \$'000	Total \$'000
		Within 3 months \$'000	3 to 6 months \$'000	6 to 12 months \$'000		
<b>Group 2021</b>						
<i>Marine distributors and dealerships</i>						
Expected loss rate	0.23%	3.02%	2.44%	1.00%	99.26%	
Gross receivables	1,300	431	41	209	1,356	3,337
Loss allowance	(3)	(13)	(1)	(2)	(1,346)	(1,365)
<i>Calibration of environmental equipment</i>						
Expected loss rate	0%	0%	50.00%	0%	0%	
Gross receivables	219	95	12	–	–	326
Loss allowance	–	–	(6)	–	–	(6)
<i>Property investments</i>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	42	25	90	–	–	157
Loss allowance	–	–	–	–	–	–
<i>Recycling of waste oil</i>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	18	50	–	–	–	68
Loss allowance	–	–	–	–	–	–
Total gross receivables	1,579	601	143	209	1,356	3,888
Total loss allowance	(3)	(13)	(7)	(1)	(1,347)	(1,371)
Net carrying amount	<b>1,576</b>	<b>588</b>	<b>136</b>	<b>208</b>	<b>9</b>	<b>2,517</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### *Credit risk (cont'd)*

##### *Trade receivables (cont'd)*

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

	Not past due \$'000	Past due			More than 1 year \$'000	Total \$'000
		Within 3 months \$'000	3 to 6 months \$'000	6 to 12 months \$'000		
<b>Group</b>						
2020						
<i>Marine distributors and dealerships</i>						
Expected loss rate	1.09%	22.11%	30.13%	30.84%	82.82%	
Gross receivables	1,750	918	458	415	978	4,519
Loss allowance	(19)	(203)	(138)	(128)	(810)	(1,298)
<i>Calibration of environmental equipment</i>						
Expected loss rate	0%	3.49%	0%	0%	0%	
Gross receivables	233	172	46	–	–	451
Loss allowance	–	(6)	–	–	–	(6)
<i>Property investments</i>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	–	115	–	–	–	115
Loss allowance	–	–	–	–	–	–
<i>Recycling of waste oil</i>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	445	43	–	–	–	488
Loss allowance	–	–	–	–	–	–
Total gross receivables	2,428	1,248	504	415	978	5,573
Total loss allowance	(19)	(209)	(138)	(128)	(810)	(1,304)
Net carrying amount	2,409	1,039	366	287	168	4,269

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### *Credit risk (cont'd)*

#### *Other financial assets at amortised cost*

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

<b>Group 2021</b>	<b>12-month or lifetime ECL</b>	<b>Gross carrying amount \$'000</b>	<b>Loss allowance \$'000</b>	<b>Net carrying amount \$'000</b>
Deposits	N.A. Exposure Limited	467	–	467
Other receivables	Lifetime ECL	1,258	(555)	703
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	4,970	–	4,970
2020				
Deposits	N.A. Exposure Limited	396	–	396
Other receivables	Lifetime ECL	1,116	(498)	618
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	3,848	–	3,848

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### *Credit risk (cont'd)*

#### *Other financial assets at amortised cost*

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

<b>Company 2021</b>	<b>12-month or lifetime ECL</b>	<b>Gross carrying amount \$'000</b>	<b>Loss allowance \$'000</b>	<b>Net carrying amount \$'000</b>
Amounts due from subsidiaries	12-month ECL	1,233	–	1,233
	Lifetime ECL	36,345	(29,682)	6,663
Deposits	N.A. Exposure Limited	200	–	200
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	350	–	350
2020				
Amounts due from subsidiaries	12-month ECL	13,504	–	13,504
	Lifetime ECL	25,636	(25,619)	17
Deposits	N.A. Exposure Limited	72	–	72
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	87	–	87

The credit loss exposure for cash and cash equivalents and deposits are immaterial as at 31 March 2021 and 31 March 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### *Credit risk (cont'd)*

##### *Financial guarantee*

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The directors do not expect credit loss exposure arising from these guarantees in view that the borrowings were secured (Note 24).

##### *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

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

	<b>1 year or less \$'000</b>	<b>1 to 5 year \$'000</b>	<b>Over 5 year \$'000</b>	<b>Total \$'000</b>
<b>Group</b>				
<b>2021</b>				
Trade and other payables	5,840	302	–	6,142
Borrowings	17,459	9,455	12,281	39,195
Lease liabilities	792	2,578	3,687	7,057
	<hr/>			
<b>2020</b>				
Trade and other payables	4,522	199	–	4,721
Borrowings	40,459	2,928	1,322	44,709
Lease liabilities	724	2,531	4,272	7,527
	<hr/>			

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 30 Financial instruments (cont'd)

### b) Financial risk management (cont'd)

#### Liquidity risk (cont'd)

	1 year or less \$'000	1 to 5 year \$'000	Over 5 year \$'000	Total \$'000
<b>Company</b>				
<b>2021</b>				
Trade and other payables	4,398	–	–	4,398
Lease liabilities	134	167	–	301
Corporate guarantees to banks*	36,080	–	–	36,080
<b>2020</b>				
Trade and other payables	2,157	–	–	2,157
Borrowings	1,500	–	–	1,500
Corporate guarantees to banks*	36,394	–	–	36,394

\* At the end of reporting period, the maximum exposure of the Company in respect of the intra-group corporate guarantees based on facilities drawn down by the subsidiaries is \$36,080,000 (2020: \$36,394,000). The Company does not consider it probable that a claim will be made against the Company under the intragroup corporate guarantees.

At the end of the reporting period, the Group has undrawn available credit facilities with certain banks of \$6,991,000 (2020: \$4,950,000).

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

	Group Less than 1 year	
	2021 \$'000	2021 \$'000
Net settled interest rate swap		
- Net cash outflows	–	(14)

## 31 Fair value of assets and liabilities

### a) Fair value hierarchy

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 31 Fair value of assets and liabilities (cont'd)

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

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

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
<b><u>Recurring fair value measurements</u></b>				
<b>Group</b>				
<b>2021</b>				
<b>Non-financial assets</b>				
Investment properties	–	–	26,000	26,000
2020				
Non-financial assets				
Investment properties	–	–	28,000	28,000
Financial liabilities				
Derivative financial instruments	–	14	–	14

### c) Determination of fair values

#### *Investment properties*

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

#### *Derivative financial instruments*

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

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

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

	<b>Investment properties</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>		
Balance at beginning of financial year	28,000	31,603
Fair value loss recognised in profit or loss	(2,000)	(2,000)
Disposals	–	(1,603)
Balance at end of financial year	26,000	28,000

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 31 Fair value of assets and liabilities (cont'd)

### e) Valuation process applied by the Group

The management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, management reports to the Group's ARMC.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation. For valuations performed by external valuation experts, management reviews the appropriateness of the valuation methodologies and assumptions adopted. Management also evaluates the appropriateness and reliability of the inputs used in the valuations.

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

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

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

The basis of determining fair value disclosure purposes at the end of the reporting period are disclosed in Notes 23 and 24 respectively.

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

## 32 Related party transactions

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

	2021 \$'000	2020 \$'000
<b>With shareholder</b>		
Loan from shareholder	–	1,500
Interest expense	45	19

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 32 Related party transactions (cont'd)

### b) Key management personnel compensation

Total key management personnel compensation is analysed as follows:

	<b>2021</b>	<b>Group</b>	2020
	<b>\$'000</b>		<b>\$'000</b>
Salaries, director's fee and other short-term employee benefits	<b>312</b>		347
Contributions to defined benefits plans	<b>26</b>		31
			<hr/>
Included in the above amount are the following items:			
Directors' remuneration	<b>272</b>		106
			<hr/>

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.

## 33 Segment information

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

For management purposes, the Group is organised into the following major strategic operating segments that offer different products and services: (1) property investments, (2) marine distributors and dealerships, (3) calibration of environment equipment, (4) recycling of waste oil and (5) others which include investment holding.

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

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

- a) The property investments segment is a property developer and property investment.
- b) The marine distributors and dealerships is a trader of marine equipment and related products.
- c) The calibration of environment equipment segment is a trader and service provider of mechanical and electronic scientific and industrial instruments as well as air purification products.
- d) The recycling of waste oil segment is a research and development, engineering, manufacturing and consultancy for the biofuel industry (2020: The discontinued operations relate to the disposal of the recycling of waste oil segment (see Note 10)).
- e) The others segment includes investment holding companies.



### 33 Segment information (cont'd)

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

	Property investments \$'000	Marine distributors and dealerships \$'000	Calibration of environmental equipment \$'000	Recycling of waste oil \$'000	Others \$'000	Eliminations \$'000	Total \$'000
<b>2021</b>							
Segment revenue	3,116	26,636	2,349	1,976	—	—	34,077
Sales to external customers	—	113	356	—	2,367	(2,836)	—
Inter segment sales	3,116	26,749	2,705	1,976	2,367	(2,836)	34,077
Total revenue	(1,686)	(383)	30	105	515	—	(1,419)
Segment loss before tax	—	(559)	—	—	—	—	(559)
Bad debt written off (Note 7)	(19)	(883)	(248)	(1,042)	(115)	—	(2,307)
Depreciation of property, plant and equipment (Note 12)	(10)	—	—	—	(50)	—	(60)
Deposit written off	(2,000)	—	—	—	—	—	(2,000)
Fair value loss on investment properties (Note 5)	—	—	—	—	—	—	—
Gain on disposal of financial assets through profit or loss (Note 5)	—	—	—	—	1,037	—	1,037
Gain on disposal of property, plant and equipment	—	241	11	—	—	—	252
Impairment loss of other receivables (Note 7)	—	(57)	—	—	—	—	(57)
Impairment loss of trade receivables (Note 7)	—	(237)	—	—	—	—	(237)
Interest expenses	(519)	(781)	(45)	(281)	(232)	65	(1,793)
Interest income	—	48	65	1	6	(65)	55
Reversal of allowance for impairment loss of trade receivables (Note 7)	—	224	—	—	—	—	224
Write down of inventories (Note 7)	—	243	28	—	—	—	271

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 33 Segment information (cont'd)

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

	Property investments \$'000	Marine distributors and dealerships \$'000	Calibration of environmental equipment \$'000	Recycling of waste oil \$'000	Others \$'000	Eliminations \$'000	Total \$'000
2021							
Segment assets	26,961	32,099	3,650	10,888	19,922	(22,007)	71,513
Unallocated assets							432
Total assets							71,945
<i>Segment assets includes:</i>							
Capital expenditure on property, plant and equipment	19	181	26	–	424	–	650
Segment liabilities	25,353	17,012	1,530	4,585	10,465	(10,660)	48,285
Unallocated liabilities							1,563
Total liabilities							49,848

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 33 Segment information (cont'd)

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

2020	Property investments \$'000	Marine distributors and dealerships \$'000	Calibration of environmental equipment \$'000	Recycling of waste oil \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Segment revenue	6,945	27,017	2,933	2,408	—	—	39,303
Sales to external customers	—	3	345	—	10	(358)	—
Inter segment sales	—	—	—	—	—	—	—
Total revenue	6,945	27,020	3,278	2,408	10	(358)	39,303
Segment loss before tax	(602)	(4,541)	358	232	(2,183)	—	(6,736)
Amortisation of intangible assets (Note 15)	—	(170)	—	—	—	—	(170)
Bad debt written off (Note 7)	—	(243)	—	(16)	—	—	(259)
Depreciation of property, plant and equipment (Note 12)	(17)	(960)	(214)	(1,170)	(18)	—	(2,379)
Fair value loss on investment properties (Note 5)	(2,000)	—	—	—	—	—	(2,000)
Impairment loss of intangible assets (Note 5)	—	(973)	—	—	—	—	(973)
Impairment loss of property, plant and equipment (Note 5)	—	(54)	—	—	—	—	(54)
Impairment loss of other receivables (Note 7)	(34)	—	—	—	—	—	(34)
Impairment loss of trade receivables (Note 7)	—	(974)	(5)	—	—	—	(979)
Interest expenses	(830)	(1,237)	(53)	(375)	(291)	65	(2,721)
Interest income	3	56	65	3	3	(65)	65
Loss on disposal of property, plant and equipment	—	(2)	—	(39)	(23)	—	(64)
Write down of inventories (Note 7)	—	(141)	—	—	—	—	(141)
Write off of property, plant and equipment	—	—	—	(39)	—	—	(39)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
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## 33 Segment information (cont'd)

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

	Property investments \$'000	Marine distributors and dealerships \$'000	Calibration of environmental equipment \$'000	Others \$'000	Continuing operations \$'000	Recycling of waste oil (discontinued operations) \$'000	Eliminations \$'000	Total \$'000
2020								
Segment assets	27,693	37,494	4,427	5,679	75,293	11,667	(8,656)	78,304
Unallocated assets								127
Total assets								78,431
<i>Segment assets includes:</i>								
Capital expenditure on property, plant and equipment and development property	20	145	281	—	446	39	—	485
Segment liabilities	25,787	29,246	2,425	9,552	58,010	5,332	(10,053)	53,289
Unallocated liabilities								1,549
Total liabilities								54,838

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 33 Segment information (cont'd)

### Segment results

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

### Segment assets

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

### Segment liabilities

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

### Geographical information

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

	Sales to external customers		Non-current assets	
	2021 \$'000	(Restated) 2020 \$'000	2021 \$'000	2020 \$'000
Malaysia	22,134	19,232	3,789	4,548
Singapore	6,582	14,311	46,823	40,502
China/Hongkong/Indonesia/India/ Pakistan	5,361	5,760	991	972
Total continuing operations	34,077	39,303	51,603	46,022
Discontinued operation	–	–	–	11,041
	<b>34,077</b>	<b>39,303</b>	<b>51,603</b>	<b>57,063</b>

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

### Information about major customer

Revenue of approximately \$3,776,000 (2020: \$Nil) is derived from one external customer that contributes more than 10% (2020: 10%) of the Group's revenue and are attributable to the marina distributor and dealerships segment.

# NOTES TO THE FINANCIAL STATEMENTS

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## 34 Capital management

The objectives when managing capital are: to safeguard the 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.

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

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

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Net debt:		
All current and non-current borrowings including leases	<b>40,929</b>	43,313
Less: Cash and cash equivalents (Note 19)	<b>(4,970)</b>	(3,795)
Net debt	<b>35,959</b>	39,518
Total equity	<b>22,097</b>	23,593
Gearing ratio	<b>163%</b>	167%

## 35 Leases

### *The Group and the Company as a lessee*

#### **Nature of the Group and the Company's leasing activities**

The Group and the Company's leasing activities comprise the following:

- i) The Group and the Company lease land, office, factories and motor vehicles from non-related parties under non-cancellable lease agreement. The leases have a tenure of 2 to 41 years.
- ii) In addition, the Group leases certain office equipment with contractual terms of 6 months to five years. These leases are short-term and/or low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 35 Leases (cont'd)

### *The Group as a lessee (cont'd)*

#### **Nature of the Group's leasing activities (cont'd)**

The Group has options to purchase certain equipment/motor vehicles for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases. No restrictions are imposed on dividends or further leasing.

The maturity analysis of the lease liabilities is disclosed in Note 30(b).

#### **Amounts recognised in Statement of Financial Position**

	Group		Company	
	2021 \$'000	(Restated) 2020 \$'000	2021 \$'000	2020 \$'000
<b><u>Carrying amount of right-of-use assets</u></b>				
<b>Continuing operations</b>				
<u>Classified within property, plant and equipment</u>				
Leasehold land and properties	11,749	9,181	280	–
Motor vehicles	121	203	–	–
	<b>11,870</b>	<b>9,384</b>	<b>280</b>	<b>–</b>
<b>Discontinued operation</b>				
<u>Classified within property, plant and equipment</u>				
Leasehold land and properties	–	3,122	–	–
<b>Total (including discontinued operation)</b>				
<u>Classified within property, plant and equipment</u>				
Leasehold land and properties	11,749	12,303	280	–
Motor vehicles	121	203	–	–
	<b>11,870</b>	<b>12,506</b>	<b>280</b>	<b>–</b>
<b><u>Carrying amount of lease liabilities</u></b>				
<b>Continuing operations</b>				
Current	477	196	123	–
Non-current	4,626	1,240	162	–
	<b>5,103</b>	<b>1,436</b>	<b>285</b>	<b>–</b>
<b>Discontinued operation</b>				
Current	–	190	–	–
Non-current	–	3,641	–	–
	<b>–</b>	<b>3,831</b>	<b>–</b>	<b>–</b>
<b>Total (including discontinued operation)</b>				
Current	477	386	123	–
Non-current	4,626	4,881	162	–
	<b>5,103</b>	<b>5,267</b>	<b>285</b>	<b>–</b>

Addition of right-of-use assets is \$382,000 (2020: \$114,000) (Note 12(a)).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 35 Leases (cont'd)

### *The Group as a lessee (cont'd)*

#### Amounts recognised in profit or loss

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>2021</b>				
<u>Depreciation charge for the financial year</u>				
Leasehold land and properties	872	963	83	–
Motor vehicles	85	77	–	–
	<b>957</b>	<b>1,040</b>	<b>83</b>	<b>–</b>
<u>Lease expense not included in the measurement of lease liabilities</u>				
Lease expense - short term leases	87	146		
Lease expense - low value assets leases	9	21		
Total (Note 7)	<b>96</b>	<b>167</b>		
Interest expense on lease liabilities	<b>326</b>	<b>339</b>		
Total cash flow for leases	<b>854</b>	<b>905</b>		

As at 31 March 2021, the Group is committed to \$36,000 for short-term leases.

### *The Group as a lessor*

#### Nature of the Group's leasing activities - Group as a lessor

The Group leased out its investment properties to third parties for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from investment properties are disclosed in Note 4.

#### *Subleases - classified as operating leases*

The Group lease offices space under a head lease arrangement and subleases part of the office space to third parties as an intermediate lessor. The sub-lease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as operating leases.

Income from subleasing recognised during the financial year amounted to \$175,000 (2020: \$239,000).



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021  
(In Singapore Dollars)

## 35 Leases (cont'd)

### *The Group as a lessor (cont'd)*

#### **Nature of the Group's leasing activities - Group as a lessor (cont'd)**

##### *Subleases - classified as operating leases (cont'd)*

The following table shows the maturity analysis of the undiscounted lease payments to be received:

	<b>Total \$'000</b>
<b>2021</b>	
Less than one year	2,381
1 to 5 years	1,232
Total undiscounted lease payments	<u>3,613</u>
<b>2020</b>	
Less than one year	1,742
1 to 5 years	1,041
Total undiscounted lease payments	<u>2,783</u>

## 36 Event after the Balance Sheet date

On 22 July 2021, the Group, through Theme A Investment Holdings Pte Ltd, incorporated a 65% owned subsidiary, Darts Engineering Pte. Ltd. in Singapore which intends to provide (1) process, industrial plant engineering design and consultancy services; (2) building and repairing of ships, tankers and other ocean-going vessels; (3) installation of industrial machinery and equipment, mechanical engineering works; and (4) scaffolding works, at a paid-up capital of \$500,000.

On 22 July 2021, the Group, through USP Properties Pte. Ltd., incorporated a 65% owned subsidiary, Threene Recruitant Pte. Ltd. in Singapore which intends to handle recruitment and deployment of workers and management staff for various projects, at a paid-up capital of \$100,000.

The Group intended to acquire the property known as 31 Shipyard Road, Singapore 628130 on Lot 278V of Mukim 7 from Keppel Offshore & Marine Ltd at a sum of \$600,000 over existing lease with 4 years from JTC. In the event that JTC grants an extension of renewal of the leasehold estate of the property to the Group, the Group shall make a further payment of \$288,000 to Keppel in four equal tranches.

Based on the most recent valuation, the property was worth \$2.5 million.

The Group has appointed Ms Berlin Soh of M/s Teoh & Co LLC on 7 October 2021 to represent the Group in the proposed transaction.

On 26 January 2022, the option to purchase was exercised.

## 37 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2021 were authorised for issue in accordance with a resolution of the directors dated 11 February 2022.

# SHAREHOLDERS INFORMATION

As at 14 January 2022

Class of shares	:	Ordinary Shares
Number of shares issued (including Treasury Shares)	:	98,322,003
Number of shares issued (excluding Treasury Shares)	:	97,687,403
Number/Percentage of Treasury Shares)	:	634,600 (0.65%)
Number/Percentage of Subsidiary Holdings	:	NIL
Voting rights (excluding Treasury Shares)	:	One vote for per share

## STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 99	31	1.57	966	0.00
100 - 1,000	533	27.10	340,935	0.35
1,001 - 10,000	1,098	55.82	4,677,956	4.79
10,001 - 1,000,000	295	15.00	18,203,555	18.63
1,000,001 and above	10	0.51	74,463,991	76.23
	1,967	100.00	97,687,403	100.00

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
TANOTO SAU IAN	19,128,000	19.58	-	-
LEE KING ANNE	9,100,817	9.32	-	-
OON KOON CHENG	26,026,710	26.64	-	-
LIM BOH SOON	7,400,000	7.57	-	-

# SHAREHOLDERS INFORMATION

As at 14 January 2022

## TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Tanoto Sau Ian	19,128,000	19.58
2.	Citibank Nominees Singapore Pte Ltd	13,361,178	13.68
3.	Oon Koon Cheng	12,868,816	13.17
4.	Lee King Anne	9,100,817	9.32
5.	Lim Boh Soon	7,400,000	7.57
6.	CGS-CIMB Securities (Singapore) Pte Ltd	3,754,920	3.84
7.	Tay Lak Khoon	3,572,000	3.66
8.	KGI Securities (Singapore) Pte. Ltd	2,625,000	2.69
9.	Li Hua	1,460,400	1.50
10.	Maybank Securities Pte. Ltd.	1,192,860	1.22
11.	Tan Kay Toh or Yu Hea Ryeong	978,140	1.00
12.	OCBC Securities Private Ltd	902,086	0.92
13.	Yap Keng Ann (Ye Jingan)	706,382	0.72
14.	Phillip Securities Pte Ltd	672,545	0.69
15.	Raphael Tham Wai Mun	625,000	0.64
16.	DBS Nominees Pte Ltd	596,799	0.61
17.	UOB Kay Hian Pte Ltd	463,380	0.48
18.	Wee Choon Keong	410,800	0.42
19.	United Overseas Bank Nominees Pte Ltd	350,789	0.36
20.	Teo Chor Kok	310,000	0.32
		<u>80,479,912</u>	<u>82.39</u>

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

36.89% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “Meeting” or “AGM”) of USP Group Limited (the “Company”) will be held by way of electronic means on Monday, 28 February 2022, at 11.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2021 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr. Lim Yew Tou Eric who retire pursuant to Article 88 of the Constitution of the Company, and being eligible, has offered himself for re-election.  
  
*Mr. Lim Yew Tou, Eric will, upon re-election as a Director of the Company, remain as a Non-Independent Director of the Company. Detailed information of Mr. Lim Yew Tou, Eric required pursuant to Rule 720(6) of the Listing Rules can be found in the Annual Report.* **(Resolution 2)**
3. To re-elect Mr. Chia Heng Chian who retire pursuant to Article 89 of the Constitution of the Company, and being eligible, has offered himself for re-election.  
  
*Mr. Chia Heng Chian will, upon re-election as a Director of the Company, remain as an Independent Director of the Company. Detailed information of Mr. Chia Heng Chian required pursuant to Rule 720(6) of the Listing Rules can be found in the Annual Report.* **(Resolution 3)**
4. To approve the payment of Directors’ fees of S\$241,527.12 for the financial year ending 31 March 2022. This includes fees of past directors. **(Resolution 4)**
5. To re-appoint Baker Tilly TFW LLP as the Auditors of the Company. **(Resolution 5)**

By Order of the Board

Tan Wee Sin  
Secretary

Singapore  
13 February 2022

## IMPORTANT NOTICE:

- (1) The Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A member of the Company (“Member”) will not be able to attend the Meeting in person. A Member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such Member wishes to exercise his/her/its voting rights at the Meeting.
- (2) A Member who is a relevant intermediary entitled to vote at the Meeting must appoint the Chairman of the Meeting to attend and vote instead of the Member.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

# NOTICE OF ANNUAL GENERAL MEETING

- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- (3) The Chairman of the Meeting, as proxy, need not be a Member.
- (4) The instrument appointing the Chairman of the Meeting as proxy (the “**Proxy Form**”) must be deposited at the Company's Share Registrar's office at B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544 or sent by email to [general@uspgroup.com.sg](mailto:general@uspgroup.com.sg), not less than forty-eight (48) hours before the time appointed for the Meeting.

## PERSONAL DATA PRIVACY:

By (a) submitting an instrument appointing the Chairman of the Meeting as a proxy to vote at the AGM and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with this Notice, or (c) submitting any question prior to the AGM in accordance with this Notice, a Member consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as a proxy for the AGM (including any adjournment thereof);
- (ii) the processing of the Pre-registration for purposes of granting access to Members (or their corporate representatives in the case of Members which are legal entities) to observe the AGM proceedings and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from Members received before the AGM and if necessary, following up with the relevant Members in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

## Participation in the AGM of the Company (the “AGM”) via “live” webcast or “live” audio feed

1. As the AGM will be held by way of electronic means, Member will **NOT** be able to attend the AGM in person. All Members or their corporate representatives (in the case of Members which are legal entities) will be able to participate in the AGM proceedings by accessing a “live” webcast or listening to a “live” audio feed. To do so, Members are required to pre-register their participation in the AGM (“**Pre-registration**”) at this link: <https://globalmeeting.bigbangdesign.co/usp2022/> (“**AGM Registration and Q&A Link**”) by **11.00 a.m. on 25 February 2022** (“**Registration Deadline**”) for verification of their status as Members (or the corporate representatives of such Members).
2. Upon successful verification, each such Member or its corporate representative will receive an email by **5.00 p.m. on 25 February 2022**. The email will contain instructions to access the “live” webcast or “live” audio feed of the AGM proceedings. Members or their corporate representatives must not forward the email to other persons who are not Members and who are not entitled to participate in the AGM proceedings. Members or their corporate representatives who have pre-registered by the Registration Deadline in accordance with paragraph 1 above but do not receive an email by **5.00 p.m. on 25 February 2022** may contact the Company for assistance at [general@uspgroup.com.sg](mailto:general@uspgroup.com.sg).
3. Members holding shares through relevant intermediaries (other than CPF or SRS investors) will not be able to pre-register for the “live” webcast or “live” audio feed of the AGM. Such Members who wish to participate in the “live” webcast or “live” audio feed of the AGM should instead approach his/her relevant intermediary as soon as possible in order to make the necessary arrangements.

# NOTICE OF ANNUAL GENERAL MEETING

## Voting by proxy

- Members may only exercise their voting rights at the AGM via proxy voting (see paragraphs 5 to 8 below).
- Members who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the Meeting as their proxy to do so on their behalf, indicating how the Member wished to vote for or vote against or abstain from voting on each resolution.
- The duly executed proxy form must be deposited with the Company's Share Registrar's Office at the Company's Share Registrar's office at **B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544** or sent by email to **general@uspgroup.com.sg**, not less than forty-eight (48) hours before the time appointed for the holding of the AGM.
- CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by **11:00 a.m. on 18 February 2022**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by the cut-off date.
- Please note that Members will not be able to vote through the "live" webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.

## Submission of questions prior to the AGM

- Members may submit questions related to the resolutions to be tabled at the AGM during Pre-registration via the AGM Registration and Q&A Link so that they may be addressed before or during the AGM proceedings. All questions must be submitted by **11.00 a.m. on 21 February 2022**.
- The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) received in advance of the AGM latest by **11.00 a.m. on 23 February 2022**. Any relevant and substantial questions received after 23 February 2022 shall be addressed during the AGM. The Company will publish the minutes of the AGM on SGXNET and the Company's website within one (1) month after the date of AGM.
- Please note that Members will not be able to ask questions at the AGM "live" during the webcast and the audio feed, and therefore it is important for Members to pre-register their participation in order to be able to submit their questions in advance of the AGM.

## Important reminders

- Due to the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Members are advised to regularly check the Company's website or announcements released on SGXNET for updates on the AGM. Further, in light of the current COVID-19 measures, which may make it difficult for Members to submit completed proxy forms by post, Members are strongly encouraged to submit completed proxy forms electronically via email.

# USP GROUP LIMITED

(Registration No. 200409104W)

(Incorporated in the Republic of Singapore)

## ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

1. A member will not be able to attend the Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the Chairman of the Meeting as proxy as his/her/its behalf to attend, speak and vote on his/her/its behalf at the Meeting.
2. A relevant intermediary must appoint the Chairman of the Meeting to attend and vote at the Meeting (please see Note 2 for the definition of "relevant intermediary").
3. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment of the Chairman of the Meeting as proxy.
4. **PLEASE READ THE NOTES TO THE PROXY FORM.**

### Personal data privacy

By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 February 2022.

I/We, \_\_\_\_\_ (Name)

\_\_\_\_\_ (NRIC / Passport No./ Co Reg No.)

of \_\_\_\_\_ (Address)

being \*a member/members of **USP GROUP LIMITED** (the "Company"), hereby appoint the Chairman of the Meeting as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held by way of electronic means on Monday, 28 February 2022 at 11.00 a.m. and at any adjournment thereof.

\*I/We direct \*my/our proxy to vote for, against or abstain from voting the Resolutions proposed at the Meeting as indicated hereunder. **If no specific direction as to voting is given or in the event of any other matters arising at the Meeting and at any adjournment thereof, the appointment of the Chairman of the Meeting as \*my/our proxy will be treated as invalid.**

No.	Resolutions relating to:	For <sup>(1)</sup>	Against <sup>(1)</sup>	Abstain <sup>(1)</sup>
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 March 2021			
2	Re-election of Mr. Lim Yew Tou Eric as a Director			
3	Re-election of Mr. Chia Heng Chian as a Director			
4	Approval of Directors' fees amounting to S\$241,527.12 for the financial year ending 31 March 2022. This includes fees of past directors.			
5	Re-appointment of Baker Tilly TFW LLP			

<sup>(1)</sup> If you wish to abstain or exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

\* Delete where inapplicable

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



## Notes:

1. The Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A member of the Company ("**Member**") will not be able to attend the Meeting in person and must appoint the Chairman of the Meeting to attend, speak and vote on his/her/its behalf at the Meeting.
2. A Member who is a relevant intermediary entitled to attend and vote at the Meeting must appoint the Chairman of the Meeting to attend and vote instead of the Member.

"**Relevant intermediary**" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 11:00 a.m. on 17 February 2022) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by the cut-off date.
  4. The Chairman of the Meeting, as proxy, need not be a Member.
  5. The instrument appointing the Chairman of the Meeting as proxy (the "**Proxy Form**") must be deposited at the Company's Share Registrar's office at B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544 or sent by email to general@uspgroup.com.sg, not less than forty-eight (48) hours before the time appointed for the Meeting.
  6. A Member should insert the total number of shares held. If the Member has shares entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of shares. If the Member has shares registered in his/her name in the Register of Members, he/she should insert that number of shares. If the Member has shares entered against his/her name in the said Depository Register and registered in his/her name in the Register of Members, he/she should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the Member.
  7. If the Member is shown to not have any shares entered against his name as at seventy-two (72) hours before the time fixed for the Meeting, the Proxy Form will be rejected.
  8. The Proxy Form must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
  9. Where a Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must (failing previous registration with the Company) be lodged with the Proxy Form; failing which the instrument may be treated as invalid.
  10. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the Member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by CDP to the Company.
  11. All Members will be bound by the outcome of the Meeting regardless of whether they have attended or voted at the Meeting.
  12. Personal data privacy: By submitting an instrument appointing the Chairman of the Meeting as a proxy to vote at the Meeting and/or any adjournment thereof, all Members accept and agree to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 February 2022.



# USP

## USP Group Limited

USP Group Limited  
(Company Registration Number: 200409104W)

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