



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: USP Group Limited

Stock code: BRS

Meeting details:

Date: 28 February 2022

Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. For the financial year ended 31 March 2021 (“FY2021”), the group reported revenue of \$34.1 million, a decrease of 13% from the previous financial year. The highlight of the group was Supratechnic (M) Sdn. Bhd which increased revenue by \$2.7 million due to new government contracts.

The operational review can be found on pages 6-7 of the annual report while the group’s financial review and financial highlights can be found on pages 8-9 and page 10 respectively.

For FY2021, loss for the year was \$(1.27) million (FY2020: \$(6.65) million). The group recognised a further \$(2.0) million in fair value loss on its investment property under Koon Cheng Development Pte Ltd.

- (i) Can management help shareholders understand the sentiments on the ground in Malaysia and Indonesia, especially as countries are experiencing a new wave of Omicron in this long drawn COVID-19 pandemic?**
- (ii) What are the underlying reasons for the strong performance in the Marine business (Supratechnic) in Malaysia? Is the group able to leverage its expertise gained in Malaysia to improve the operations in Indonesia (Batam)?**
- (iii) What led to the termination of the proposed disposal of Biofuel Research Pte Ltd? Can management provide shareholders with an operational update on Biofuel Research? What is the board’s strategy to crystallise the value of Biofuel Research for the benefit of all shareholders?**
- (iv) What is the occupancy rate of the industrial property at Woodlands Industrial Park E5 which consists of a dormitory and 2 industrial blocks of offices and shops?**

The group is now venturing into black soldier flies farming, marine, oil and gas services, manpower services and property-related services (page 7). In addition, the group is involved in several lawsuits which can be seen in Note 29 (Contingent liabilities; pages 99 to 102). The auditors have also highlighted a material uncertainty related to going concern, on top of a breach of covenant and default. As disclosed in Note 24c (Borrowings; page 95), interest payable 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 was \$12.7 million.

- (v) Please provide an update of the group’s financial position.**
- (vi) Is the company able to continue as a going concern and can it reasonably assess its financial position and inform the market accordingly? (See also question 3)**

- (vii) **Does management have sufficient bandwidth to oversee the new businesses? What is the experience of management and of the board in these new businesses, such as black soldier flies farming and manpower services?**
- (viii) **What was the level of due diligence carried out by the board in these new ventures?**
- (ix) **How will the group be able to fund these new ventures given the current financial position?**

Q2. The annual general meeting is scheduled to be held on 28 February 2022. Shareholders are asked to approve the payment of \$241,527.12 as directors' fees for the financial year ended 31 March 2022. In the resolution, it was stated that the amount includes fees of past directors.

The company had only disclosed the fees to the directors as "Below \$250,000" (See table below).

- (i) **Please disclose the breakdown of fees for each of the director, including past directors.** This would provide greater clarity for shareholders to make informed decisions when voting on the resolution. For instance, a director was only on the board from 20 February 2020 to 30 September 2020.

In addition, Mr. Tanoto Sau Ian received a remuneration of between \$250,000 and \$500,000 including 39% as bonus. Mr. Tanoto Sau Ian is the CEO, executive director and managing director and a substantial shareholder of the company with a 19.58% interest (page 128).

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 %
From S\$250,000 to S\$500,000					
Tanoto Sau Ian*	-	55	39	6	100
Below S\$250,000					
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.

(Source: company annual report)

- (ii) **Can the remuneration committee (RC) help shareholders understand the basis of awarding the executive director bonuses amounting to 39% of his annual remuneration given that the group continued to report losses?**
- (iii) **What were the performance indicators and how did the RC measure these KPIs?**
- (iv) **Is the group's remuneration practice in line with Principle 7 of the Code of Corporate Governance 2018 which states that the level and structure of remuneration of the board and key management personnel should be appropriate and proportionate to the sustained performance and value creation of the company?**

Q3. Based on the company's announcement dated 18 July 2021 titled "Corrigendum to Application for Extension of Time", the company announced that it was applying for an extension of time to comply with Rules 705(1), 705(2) and 707(1) of the listing manual to (i) announce the company's full year audited financial results for the financial year ended 31 March 2021 **by 11 January 2022**; (ii) to hold its Annual General Meeting ("AGM") for FY2021 from the current deadline of 31 July 2021 to **28 January 2022**; and (iii) announce the company's 1st quarter ("Q1FY2022") and 2nd quarter ("Q2FY2022") results for the financial year ended 31 March 2022 by **18 January 2022** (emphasis added).

- (i) **Did the company apply for another waiver with SGX and ACRA and obtain a further extension of time to announce the audited financial results after 11 January 2022 and to hold the AGM after 28 January 2022?**
- (ii) **If so, did the company announce it on SGXNet?**
- (iii) **If not, is the company in breach of SGX rules and/or the Companies Act? What were the efforts by the directors, especially independent directors, to ensure that the company meets its reporting and statutory obligations?**
- (iv) **Can the company clarify if it has provided shareholders with regular and timely updates of its quarterly and half-yearly financial results since the last announcement on 29 May 2021 (which was for the unaudited full-year results for the financial year ended 31 March 2021)?**
- (v) **Similarly, has the company obtained any waiver from SGX? Is the company in compliance with the SGX listing rules, especially Chapter 7 (Continuing obligations)?**

- (vi) **Have the directors considered if it is necessary for the company to suspend the trading of the shares as the company has not informed the market of its financial position, in the interest of maintaining a fair, orderly and transparent market?**

In addition, the company is in the financial watch-list since 4 December 2019. The end date of the cure period is 2 December 2022.

- (vii) **Has the company complied with Rule 1313(2) of the Listing Manual to provide the market with a quarterly update on its efforts and the progress made in meeting the exit criteria of the watch-list, including its financial situation, its future direction, or other material development? If not, why not?**
- (viii) **Can the independent directors help shareholders understand if they are familiar with SGX Rules? If so, what are the efforts by the directors to discharge their duties?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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