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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 1st QUARTER RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Board of Directors (the "**Board**") hereby announces the results of the Group for the 3 months period 1 April 2016 to 30 June 2016 ("**Q1 2017**"). These figures have not been audited.

1(a)(i) Group Consolidated Statement of Comprehensive Income

	Group		
	Unaudited	Unaudited	
	3 months ended		
	30/06/2016 ("Q1 2017")	30/06/2015 ("Q1 2016")	Increase/ (Decrease)
	S$'000	S$'000	%
Revenue	10,289	835	1,132.2
Cost of Sales	(6,153)	(237)	2,496.2
Gross Profit	**4,136**	**598**	591.6
Other (expenses), net	(29)	(6,847)	(99.6)
Selling and distribution expenses	(7)	(100)	(93.0)
General and administrative expenses	(3,851)	(870)	342.6
Finance costs	(100)	-	100.0
Share of results of associate	-	(336)	(100.0)
Profit/(loss) before tax	**149**	**(7,555)**	N.M.
Income tax	(79)	-	100.0
Profit/ (loss) after tax	**70**	**(7,555)**	N.M.
Other comprehensive income:			
Total comprehensive profit/(loss) for the period	**70**	**(7,555)**	N.M.
Profit/(Loss) for the period attributable to:			
Owners of the Company:			
Loss attributable to owners of the Company	(46)	(7,551)	(99.4)
Non-controlling interests:			
Profit attributable to non-controlling interests	116	(4)	N.M.
Total comprehensive income attributable to:			
Owners of the Company	(46)	(7,551)	(99.4)
Non-controlling interests	116	(4)	N.M.
Total comprehensive loss for the period	**70**	**(7,555)**	N.M.
Attributable to owners of the Company			
Total comprehensive income attributable to owners of the Company	(46)	**(7,551)**	(99.4)
EBITDA excluding extraordinary losses	**1,503**	**(634)**	N.M.

1(a)(ii) Notes to Group Consolidated Statement of Comprehensive Income

Profit/(loss) from ordinary activities is stated after charging/(crediting):

	Group	
	S$'000	
	Unaudited	Unaudited
	3 months ended	
	30/06/2016 ("Q1 2017")	30/06/2015 ("Q1 2016")
Depreciation	943	187
Depreciation of development expenses	-	7
Interest expenses	412	18
Professional fees	185	144
Rental expenses	154	138
Staff costs	1,914	335

Breakdown of other income/(expenses), net

	Group	
	S$'000	
	Unaudited	Unaudited
	3 months ended	
	30/06/2016 ("Q1 2017")	30/06/2015 ("Q1 2016")
Fair value adjustments on marketable securities	(146)	(6,688)
Exchange loss, net	(79)	(303)
Interest expense	(211)	-
Bad debt written off	(1)	-
Loss on disposal of property, plant and equipment	(29)	-
Dividend income	11	-
Others	426	144
	(29)	**(6,847)**

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	S$'000		S$'000	
	Unaudited	Unaudited	Unaudited	Unaudited
	30/06/2016	31/03/2016	30/06/2016	31/03/2016
Non-current assets				
Property, plant and equipment	44,402	44,014	113	117
Investment properties	32,988	33,359	-	-
Investment in unquoted share	3,849	3,849	-	-
Investments in subsidiaries	-	-	1,358	1,358
Intangibles	5	7	-	-
Deferred tax asset	-	17	-	-
	81,244	**81,246**	**1,471**	**1,475**
Current assets				
Cash and short-term deposits	6,527	6,322	2,812	2,868
Development property	3,112	3,080	-	-
Trade receivables	4,512	4,058	-	-
Other receivables and prepayments	6,583	7,849	1,390	1,462
Amount due from subsidiaries	-	-	35,869	36,383
Inventories	8,136	8,955	-	-
Marketable securities	676	822	676	822
	29,546	**31,086**	**40,747**	**41,535**
Current liabilities				
Trade payables	3,100	3,272	-	-
Other payables	8,184	9,766	1,875	2,369
Amount due to subsidiary	-	-	333	250
Finance lease liabilities	256	240	-	-
Tax payable	614	730	-	-
Short term bank loan	8,738	8,859	800	800
	20,892	**22,867**	**3,008**	**3,419**
Net current assets	**8,654**	**8,219**	**37,739**	**38,116**
Non-current liability				
Deferred tax liabilities	137	115	-	-
Bank loan	32,834	32,939	-	-
Finance lease liabilities	445	459	-	-
Rental deposits	705	295	-	-
	34,121	**33,808**	**-**	**-**
Net assets	**55,777**	**55,657**	**39,210**	**39,591**
Equity				
Share capital	49,975	49,975	49,975	49,975
Other reserves	2,105	2,055	(270)	(358)
Accumulated profits	336	382	(10,495)	(10,026)
Equity attributable to owners of the Company	**52,416**	**52,412**	**39,210**	**39,591**
Non-controlling interests	3,361	3,245	-	-
	55,777	**55,657**	**39,210**	**39,591**

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30/06/2016		As at 31/03/2016	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
8,738	-	8,859	-

Amount repayable after one year

As at 30/06/2016		As at 31/03/2016	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
32,834	-	32,939	-

Details of any collateral

Borrowings are secured by properties, shares of the subsidiaries, corporate guarantees of the Company, personal guarantees given by a director of the Group and fixed deposits pledged to the banks.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group S$'000	
	Unaudited	Unaudited
	3 months ended	
	30/06/2016	30/06/2015
Operating activities:		
Profit/ (loss) before tax	149	(7,555)
Adjustments for:		
Depreciation	943	194
Fair value loss on marketable securities	146	6,688
Interest income	(70)	-
Interest expenses, net	412	-
Loss on disposal of property, plant and equipment	29	-
Treasury shares reissued pursuant to employee share plan	88	-
Unrealised exchange (gain)/loss, net	(8)	126
Share of result of associate	-	336
Operating cash flows before working capital changes	**1,689**	**(211)**
Trade receivables	(483)	341
Other receivables and prepayments	802	(1,602)
Inventories	819	(1)
Trade payables	(171)	(75)
Other payables	(1,583)	(146)
Rental deposits	410	-
Cash flows generated from/(used in) operations	**1,483**	**(1,694)**
Income tax paid	(243)	-
Interest received	70	-
Interest paid, net	(412)	-
Net cash flows generated from/(used in) operating activities	**898**	**(1,694)**
Investing activities		
Purchase of property, plant and equipment	(500)	(107)
Sale of intangibles	2	-
Subsequent expenditure on development property	(32)	(13)
Sales proceed of property, plant and equipment	61	-
Cash outflow on investment in associate	-	(1,500)
Purchase of marketable securities	-	(433)
Net cash flows used in investing activities	**(469)**	**(2,053)**
Financing activities:		
Repayment of loans and borrowings	(226)	(2,649)
Drawdown of finance lease liabilities, net	2	(9)
Purchase of treasury shares	-	(3,483)
Net cash flows used in financing activities	**(224)**	**(6,141)**
Net increase/(decrease) in cash and cash equivalents	205	(9,888)
Cash and cash equivalents at beginning of period	6,322	16,235
Cash and cash equivalents at end of period	**6,527**	**6,347**

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital	Treasury shares	Other reserve	Accumulated profits/ (losses)	Discount on purchase of NCI's shares	Foreign currency translation reserve	Equity attributable to owners of the Company	Non-controlling interests	Total Equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Current year – 1Q2017									
Balance at 1 April 2016	**49,975**	**-**	**(358)**	**382**	**2,413**	**-**	**52,412**	**3,245**	**55,657**
Profit for the year	-	-	-	(46)	-	-	(46)	116	70
Translation movement	-	-	-	-	-	(38)	(38)	-	(38)
Employee share ownership plan	-	-	88	-	-	-	88	-	88
Balance at 30 June 2016	**49,975**	**-**	**(270)**	**336**	**2,413**	**(38)**	**52,416**	**3,361**	**55,777**
Previous year – 1Q2016									
Balance at 1 April 2015	**46,328**	**(1,021)**	**-**	**(234)**	**2,413**	**-**	**47,486**	**498**	**47,984**
Total comprehensive loss for the period	-	-	-	(7,551)	-	-	(7,551)	(4)	(7,555)
Purchase of treasury shares	-	(3,483)	-	-	-	-	(3,483)	-	(3,483)
Treasury shares reissued pursuant to acquisition of an associate	-	4,250	-	-	-	-	4,250	-	4,250
Subscription of shares by a non-controlling interest	-	-	-	-	-	-	-	120	120
Balance at 30 June 2015	**46,328**	**(254)**	**-**	**(7,785)**	**2,413**	**-**	**40,702**	**614**	**41,316**

Company	Share capital	Other reserves	Treasury shares	Accumulated losses	Total Equity
	S$'000	S$'000	S$'000	S$'000	S$'000
Current quarter – 1Q2017					
Balance at 1 April 2016	**49,975**	**(358)**	**-**	**(10,026)**	**39,591**
Loss for the period	**-**	**-**	**-**	(469)	(469)
Total comprehensive loss for the period	**-**	**-**	**-**	**(469)**	**(469)**
Employee share ownership plan	**-**	**88**	**-**	**-**	**88**
Balance at 30 June 2016	**49,975**	**(270)**	**-**	**(10,495)**	**39,210**
Previous quarter – 1Q2016					
Balance at 1 April 2015	**46,328**	**-**	**(1,022)**	**(260)**	**45,046**
Total comprehensive loss for the period	-	-	-	(7,514)	(7,514)
Purchase of treasury shares	-	-	(3,482)	-	(3,482)
Treasury shares reissued pursuant to acquisition of an associate	-	-	4,250	-	4,250
Balance at 30 June 2015	**46,328**	**-**	**(254)**	**(7,774)**	**38,300**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There has been no changes in the Company's share capital during the period.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceeding year.

	30/06/2016	31/03/2016 (Adjusted*)
Total number of issued ordinary shares excluding treasury shares	78,775,381	78,775,381

* On 11 April 2016, the Company completed a share consolidation of every ten (10) ordinary shares into one (1) consolidated share. The number of shares as at the end of the immediately preceeding year have been restated to reflect the share consolidation.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There has been no movement in the Company's treasury shares during the period.

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

These figures have neither been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation used are consistent with those used in the most recently audited annual financial statements except for the adoption of the new or amended Financial Reporting Standards (FRS) and Interpretations to FRS (INT FRS) that are mandatory for financial years beginning on or after 1 April 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to item 4 above. The adoption of the new or revised Singapore Financial Reporting Standards (FRS) and Interpretations (INT FRS) had no material effect on the Group's accounting policies and had no significant impact on the Group's financial statements.

6. Profits/ (losses) per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	30/06/2016	**30/06/2015 (Adjusted*)**
Profits/ (losses) per ordinary share from continuing operations of the group, after deducting any provision for preference dividends (in SGD cents):		
(a) Based on weighted average number of ordinary shares on issue; and	0.09	(11.4)
Weighted average number of ordinary shares for basic profits/ (losses) per share computation	78,775,381	65,532,724
(b) On a fully diluted basis	0.09	(1.14)
Weighted average number of ordinary shares adjusted for the effect for dilution	78,775,381	65,532,724

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30/06/2016	**31/03/2016 (Adjusted)***	**30/06/2016**	**31/03/2016 (Adjusted)***
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	66.54	66.50	49.77	50.30
No. of ordinary shares used in computing net asset value	78,775,381	78,775,381	78,775,381	78,775,381

* On 11 April 2016, the Company completed a share consolidation of every ten (10) ordinary shares into one (1) consolidated share. The number of shares as at the end of the immediately preceeding year have been restated to reflect the share consolidation.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF PERFORMANCE (1Q2017 VS 1Q2016)

Revenue

The Group recognised significant revenue streams from its newly acquired subsidiaries of Koon Cheng Development Pte Ltd ("KCD") and Supratechnic Pte Ltd ("Supra") of S$0.9 mil and S$8.8 mil respectively during the period. This resulted in a revenue growth of 11 times to S$10.3 mil in this quarter (Q12016: S$0.8 mil). The Group's Oil business consisting of Biofuel Research Pte Ltd ("**Biofuel**") and USP Oil Pte Ltd only contributed 5.8% to total revenue or S$0.6 mil for the period.

Other expenses net

During the year, other expenses decreased significantly to S$0.03 mil (Q12016 : S$6.8 mil). The decrease is largely due to the absence of the impairment on quoted securities, Huan Hsin Holdings Limited ("**Huan Hsin**") which took place previous corresponding quarter amounting to S$6.7 mil.

Operating Expenses

Selling and distribution expenses, mainly attributable to activities of Biofuel, decreased substantially to approximately S$7k due to the lesser spending in view of the poor market conditions.

General and administrative expenses increased by 343% to approximately S$3.9 mil (Q12016 : S$0.9 mil) mainly due to the inclusion of the overheads of KCD and Supra, and the Group's oil business, which account for approximately S$3.6 mil, of which S$1.9 mil was due to staff costs and depreciation amounts to S$0.9 mil.

Profit After Tax

As a result of the above, a profit after tax of approximately S$70K was recorded for the quarter ending 30.6.2016 over a loss of S$7.6 mil during the corresponding period while EBITDA amounted to S$1.5 mil compared to negative EBITDA of S$0.6 million for the same period.

REVIEW OF FINANCIAL POSITION (Q1 ending 30.6.16 VS FYE 31.3.16)

Non-Current Assets

Property, plant and equipment increased to S$44.4 mil (31.3.2016: S$44.0 mil) due to purchases during the period partially offset by depreciation.

Current Assets

Group cash increased to S$6.5 mil (31.3.2016: S$6.3 mil) mainly driven by the profit contributions of the oil trading business, KCD and Supra.

Trade receivables for the Group increased to S$4.5 mil (31.3.2016: S$4.1mil) due to the oil trading business, KCD and Supra operations.

Inventories decreased to S$8.1m (31.3.2016: S$8.9m) mainly due to better inventory management from Supra.

Marketing securities decreased slightly due to additional impairment for Huan Hsin based on the share price of Huan Hsin as at 30 June 2016 versus 31 March 2016.

Current Liabilities

There was a decrease in trade payables to S$3.1 mil (31.3.2016: S$3.3 mil) and other payables also decreased to S$8.2 mil (31.3.2016: S$9.8 mil) due to repayment of an amount due to a director of S$0.4mil and also repayment of the subsidiaries' vendors.

Overall, current assets dropped from S$31.1 million to $29.5 million, i.e. a decrease of S$1.6 million while current liabilities dropped from S$22.9 mil to S$20.9 million, i.e. a decrease of S$2.0 million. Cash and short-term deposits increased to S$6.5 mil as at 30 June.

Bank Borrowings

During the period, the bank borrowings decreased by S$0.2mil to S$41.6mil (31.3.2016: S$41.8mil) due to repayments.

Net Assets

Net assets of the Company increased slightly to S$55.8 mil and net asset per share of 66.54 cents as at 30 June 2016.

Cash Flow (1Q2017 VS 1Q2016)

Group cash increased to S$6.5 mil as at 30 June 2016 compared to the last quarter of S$6.3 mil largely because of:

a. Cash flow generated from operating activities of S$0.9 mil
b. Offset by payment of loans and finance liabilities of S$0.7 mil in total.

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

Not applicable.

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

As previously announced, the Group will continue actively to pursue opportunities to expand its business into the oil blending and distribution, marine and property development.

Oil-blending business

As announced in our previous quarter's results, the Group started its first oil trading business in July 2015 and was expected to generate healthy operating cash flow for the Group. The intention was to supplement the Biofuel business which had a limited expansion potential as it derives its feedstock from the Singapore Public Utilities Board ("**PUB**"). While the Group continues to enjoy good gross margins and low inventory holding costs for its Biofuel oil blending business, poor oil prices affected the trading business during the current year. As such, as a whole, the oil blending business is still suffering a net loss, particularly due to the high depreciation charge as a result of its heavy capex.

Property Development business

With regards to the Group's Blandford Property, it had completed the demolition of the existing structure and commenced construction of the ground floor during the year. The Company expects to sell the property early next year.

The Group also enjoys a steady rental income from its industrial property under KCD. KCD holds 2 commercial buildings with a gross floor area of 92,359 square feet and 1 workers' dormitory. Almost all of the units and the dormitory are rented out. It is currently reviewing other potential property projects and would update the shareholders when appropriate.

Marine business

As announced on 18 May 2016, the management has had several discussions with the key principals of Supra ("**Principals**"). The Principals have advised that they would like to continue business arrangements with Supra and the parties are in negotiations for new terms to replace the existing agreements. In the meanwhile, the Marine business is expected to be stable, save for exchange fluctuations, especially in Malaysia Ringgit and the Japanese Yen, where the Marine business has the largest exposure.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend has been declared.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 30 June 2016.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have any IPT mandate.

14. Confirmation that the Issuer has procured undertakings from all its Directors and Executive Officers (In the format set out in Appendix 7.7) under Rule 720(1).

The Company has received undertakings from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

15. Negative Assurance Confirmation

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of USP Group Limited which may render these interim financial results for the quarter ended 30 June 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Li Hua
Executive Chairman/CEO
3 August 2016