

**USP Group Limited**(Incorporated in Singapore)  
(Co. Reg. No: 200409104W)**UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2021****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 1<sup>st</sup> 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.**

	Group		Increase/ (Decrease)
	Unaudited	Unaudited	
	3 months ended		
	30 June 2021 ("Q1 2022") S\$'000	30 June 2020 ("Q1 2021") S\$'000	
Revenue	9,740	5,010	94.4
Cost of Sales	(6,090)	(2,489)	144.7
Gross Profit	<b>3,650</b>	<b>2,521</b>	44.8
Other (expense)/income, net (Note 1(a)(ii))	(23)	366	NM
Selling and distribution expenses	(105)	(78)	34.6
General and administrative expenses (Note 1(a)(ii))	(2,526)	(1,932)	30.7
Finance costs	(266)	(341)	(22.0)
Profit before income tax from continuing operations	<b>730</b>	<b>536</b>	36.2
Income tax	(18)	(18)	-
Profit after income tax from continuing operations	<b>712</b>	<b>518</b>	37.5
Discontinued operation			
Loss from discontinued operations, net of tax	-	(251)	NM
Profit for the period	<b>712</b>	<b>267</b>	166.7
Profit/(loss) attributable to:			
Owners of the Company	722	279	158.8
Non-controlling interests	(10)	(12)	(16.7)
	<b>712</b>	<b>267</b>	166.7

"NM" denotes not meaningful

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

(Loss)/profit from ordinary activities is stated after charging/(crediting):

	Group	
	S\$'000	
	Unaudited	Unaudited
	3 months ended	
	30 June 2021 ("Q1 2022")	30 June 2020 ("Q1 2021")
Depreciation	489	218
Professional fees	350	303
Rental expenses	135	70
Directors' Compensation	75	-
Staff costs	752	916

Breakdown of other (expenses)/income, net

	Group	
	S\$'000	
	Unaudited	Unaudited
	3 months ended	
	30 June 2021 ("Q1 2022")	30 June 2020 ("Q1 2021")
Exchange loss, net	(163)	99
Loss on disposal of property, plant and equipment	-	32
Government grant	25	-
Interest Income	17	12
Others	98	223
	<b>(23)</b>	<b>366</b>

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	Audited	Unaudited	Audited
	30 June 2021	31 March 2021	30 June 2021	31 March 2021
<b>Non-current assets</b>				
Property, plant and equipment	24,667	25,144	370	376
Investment properties	26,000	26,000	-	-
Investment in subsidiaries	-	-	1,097	1,197
Intangible assets	460	459	-	-
Deferred tax assets	369	368	-	-
<b>Total non-current assets</b>	<b>51,496</b>	<b>51,971</b>	<b>1,467</b>	<b>1,573</b>
<b>Current assets</b>				
Inventories	9,411	9,777	-	-
Trade and other receivables	5,828	5,227	10,121	9,614
Cash and short-term deposits	4,865	4,970	613	350
<b>Total current assets</b>	<b>20,104</b>	<b>19,974</b>	<b>10,734</b>	<b>9,964</b>
<b>Total assets</b>	<b>71,600</b>	<b>71,945</b>	<b>12,201</b>	<b>11,537</b>
<b>Current liabilities</b>				
Trade and other payables	6,212	5,881	4,892	4,398
Contract liabilities	13	904	-	-
Borrowings	16,492	17,157	123	123
Income tax payable	82	82	-	-
<b>Total current liabilities</b>	<b>22,799</b>	<b>24,024</b>	<b>5,015</b>	<b>4,521</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	1,481	1,481	-	-
Other payables	640	274	-	-
Borrowings	23,676	23,772	162	162
Provisions	202	191	-	-
Liabilities for post-employment benefits	-	106	-	-
<b>Total non-current liabilities</b>	<b>25,999</b>	<b>25,824</b>	<b>162</b>	<b>162</b>
<b>Total liabilities</b>	<b>48,798</b>	<b>49,848</b>	<b>5,177</b>	<b>4,683</b>
<b>Equities</b>				
Share capital	51,172	51,172	51,172	51,172
Treasury shares	(99)	(99)	(99)	(99)
Other reserves	4,694	4,701	(355)	(355)
Accumulated losses	(32,943)	(33,665)	(43,694)	(43,864)
<b>Total equity attributable to owners of the parent</b>	<b>22,824</b>	<b>22,109</b>	<b>7,024</b>	<b>6,854</b>
Non-controlling interests	(22)	(12)	-	-
<b>Total equity</b>	<b>22,802</b>	<b>22,097</b>	<b>7,024</b>	<b>6,854</b>
<b>Total equity and liabilities</b>	<b>71,600</b>	<b>71,945</b>	<b>12,201</b>	<b>11,537</b>

**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 June 2021		As at 31 March 2021	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
16,492	-	17,157	-

**Amount repayable after one year**

As at 30 June 2021		As at 31 March 2021	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
23,676	-	23,772	-

**Details of any collateral**

Borrowings are secured by fixed charges on properties, shares in the subsidiaries, corporate guarantees of the Company, personal guarantees given by a former director of the Group, fixed deposits pledged to the banks and in respect of certain subsidiaries, the borrowings are also secured by a debenture with floating charge over their assets, past, present and future.

- 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 June 2021	30 June 2020
<b>Operating activities:</b>		
Profit before tax from continuing operations	729	536
Loss before tax from discontinued operations	-	(251)
Adjustments for:		
Depreciation of property, plant and equipment	489	218
Interest income	(17)	(12)
Interest expenses, net	266	341
Loss on disposal of property, plant and equipment	-	32
Foreign currency translation	(2)	(454)
<b>Operating cash flows before working capital changes</b>	<b>1,465</b>	<b>410</b>
Increase in trade receivables and prepayments	(600)	(97)
Decrease in inventories	366	1,104
Decrease in trade and other payables	(292)	(1,109)
<b>Cash flows generated from operations</b>	<b>939</b>	<b>308</b>
Income tax paid	(17)	(258)
<b>Net cash flows generated from operating activities</b>	<b>922</b>	<b>50</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(17)	(12)
Proceeds from divestment of investment securities	-	1,036
Interest received	17	12
<b>Net cash flows generated from investing activities</b>	<b>-</b>	<b>1,036</b>
<b>Financing activities:</b>		
Net repayment of loans and borrowings	(598)	(225)
Interest paid, net	(268)	(342)
<b>Net cash flows used in financing activities</b>	<b>(866)</b>	<b>(567)</b>
Net increase in cash and cash equivalents	56	519
Cash and cash equivalents at beginning of period	1,345	166
<b>Cash and cash equivalents at end of period</b>	<b>1,401</b>	<b>353</b>

Cash and cash equivalents comprise:

	Group	
	S\$'000	
	Unaudited	Unaudited
	30 June 2021	
	30 June 2021	30 June 2020
Cash on hand and at bank	2,158	1,412
Fixed deposits	2,707	2,854
<b>Cash and cash equivalents as per statement of financial position</b>	<b>4,865</b>	<b>4,266</b>
Less: Fixed deposits pledged	(2,707)	(2,854)
Less: Bank overdraft	(757)	(1,059)
<b>Cash and cash equivalents as per consolidated statement of cash flows</b>	<b>1,401</b>	<b>353</b>

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 reserves	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Current year:</b>							
Opening Balance at 1 April 2021	51,172	(99)	4,701	(33,665)	22,109	(12)	22,097
Profit for the financial year	-	-	-	722	722	(10)	712
Other comprehensive loss for the financial year	-	-	(7)	-	(7)	-	(7)
Closing balance at 30 June 2021	51,172	(99)	4,694	(32,943)	22,824	(22)	22,802
<b>Previous year:</b>							
Opening Balance at 1 April 2020	51,172	(99)	4,694	(30,803)	24,964	7	24,971
Loss for the financial year	-	-	-	279	279	(26)	253
Other comprehensive income for the financial year	-	-	431	-	431	-	431
Closing balance at 30 June 2020	51,172	(99)	5,125	(30,524)	25,674	(19)	25,655

Company	Share capital	Treasury Shares	Other Reserves	Accumulated losses	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Current year:</b>					
Opening balance at 1 April 2021	51,172	(99)	(355)	(43,864)	6,854
Total comprehensive loss for the year	-	-	-	170	170
Closing balance as at 30 June 2021	51,172	(99)	(355)	(43,694)	7,024
<b>Previous year:</b>					
Opening balance at 1 April 2020	51,172	(99)	(355)	(39,263)	11,455
Total comprehensive loss for the year	-	-	-	298	298
Closing balance as at 30 June 2020	51,172	(99)	(355)	(38,965)	11,753

**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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.**

#### Ordinary Shares

7.4 million of performance shares were purportedly issued to a former CEO during the quarter ended 30 September 2019. The Company takes the view that the shares were subject to be forfeited upon the former CEO's resignation. A substantial shareholder had obtained an injunction against the former CEO from exercising his rights to 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 a court proceedings commenced by the substantial shareholder, the said former CEO will not exercise his rights over the shares and will not dispose the shares.

#### Performance Shares

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

#### Treasury Shares

As of 30 June 2021, the Company has 634,600 treasury shares (30 June 2020: 634,600) as of the end of the reported 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 preceding year.**

	30 June 2021	31 March 2021
Total number of issued ordinary shares excluding treasury shares	90,287,403*	90,287,403

\* This excludes the 7.4m number of shares issued to Dr Lim Boh Soon. See note 1 (d)(ii) above.

**1(d)(iv) A statement showing all sales, transfers, 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.

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

Not applicable.

**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.**

Yes.

**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.**

Changes in the accounting policies have been taken into account as at 31 March 2021.

**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 June 2021	30 June 2020
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	0.66	0.3
Weighted average number of ordinary shares for basic profits/ (losses) per share computation	90,287,403	90,287,403
(b) On a fully diluted basis	0.66	0.3
Weighted average number of ordinary shares adjusted for the effect for dilution	90,287,403	90,287,403

**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 June 2021	31 March 2021	30 June 2021	31 March 2021
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	25.25	28.13	7.78	7.59
No. of ordinary shares used in computing net asset value	90,287,403	90,287,403	90,287,403	90,287,403



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 (1Q2022 VS 1Q2021)**

##### **Revenue**

Group revenue increased by S\$4.7 million from S\$5.0 million in 1QFY2021 to S\$9.7 million in 1QFY2022 or about 49% mainly due to the contribution by the Company's Malaysian subsidiary of S\$3.4 million, as a result of clinching new government contracts and increase in market demand around Malaysia and Singapore region. There were also increase in revenue contributions from Singapore' marine segment and recycling of waste oil segment of S\$255,000 and S\$580,000 respectively from 1QFY2021 to 1QFY2022. Marine distributors and dealership segment remains the largest contributor to the revenue of S\$7.8 million followed by two other major segments which are properties investment of S\$799,00 and recycling of waste oil of S\$729,000.

##### **Cost of sales**

The cost of sales of the Group increased by S\$3.6 million from S\$2.5 million to S\$6.1 million was largely due to the increase in stockout and holding costs as a result of delayed in shipping and delivery amidst of the outbreak of Covid-19 pandemic, restraining the resources available on the freight inwards and outwards. Apart from that, the Group has also incurred higher cost of sales due to the increasing price of fuel for transportation in FY2022. This has diluted the gross profit margin of the Group and caused a decrease in gross profit margin of 13% from 50% in Q1FY2021 to 37% in Q1FY2022.

##### **Other (expenses)/income, net**

In Q1FY2022, the Group recorded an increase in other expenses of \$386,000 mainly due to the foreign exchange loss of S\$163,000. The foreign exchange loss is contributed by the Company's subsidiary in Indonesia and such losses arise from the settlement of suppliers' accounts which are denominated in USD, EUR and CHF which are appreciating against IDR. The increase in other expenses is also alleviated by the miscellaneous income from rentals and government grant of S\$123,000. Also, in FY2021, the Group has recognised a government grant of S\$325,000 pursuant to the job support grant given by the government to support local businesses.

##### **General and Administrative**

Administrative expenses increased by S\$594,000 mainly due to the increase in depreciation of S\$271,000 which is contributed by a subsidiary previously held for sale and presented as a separate line item in profit and loss. Currently, all the financial figures are reflected in the respective financial caption. Other overheads remain consistent as compared to Q1FY2021.

##### **Finance Costs**

The decrease in finance costs from S\$341,000 in Q1FY2021 to S\$266,000 in Q1FY2022 was due to loan repayment of approximately S\$3.2 million to the bank. This will slowly improve on the gearing ratio of the Company by clearing off the defaulted loans that was neglected by previous management.

##### **Profit After Tax**

The Group recorded a profit of S\$712,000 in Q1FY2022 as compared to S\$518,000 in Q1FY2021. This improvement of S\$194,000 was mainly due to the improved in operating result of Malaysian subsidiary through aggressive marketing and other segments are recouping and expected to have a stronger financial position in coming years.

#### **REVIEW OF FINANCIAL POSITION (Q1 ending 30 June 2021 VS FYE 31 March 2021)**

##### **Non-Current Assets**

Under non-current assets, the decrease of S\$475,000 are mainly contributed by the annual depreciation of the Group's property, plant and equipment.

##### **Current Assets**

Due to disruption of supply chain as a result of Covid 19 pandemic, the Group saw its inventory level being driven down by S\$366,000 whilst cash position decreased by S\$105,000. This was due to the delay in logistics which increases the lead time to receive the stock ordered to the extent of 8 months. Also, FY2022 has been a record breaking years for the sales of outboard motors and the spare parts for the Group and the Group has been reinvesting the funds received into stock purchase, thereby resulting a lower inventory level and minimal cash in Q1FY2022.

On the other hand, trade and other receivables increased by S\$601,000 mainly due to increase in deposit of S\$599,000 placed with the supplier of the Group to allow the Group to place more order of stocks in order to cope with the sudden surge in demand for marine equipment in Malaysia and Singapore market.

9. **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.**

#### **Non-Current Liabilities**

Long term borrowings decreased by S\$96,000 is due to the repayment of principle of bank borrowings.

Non-current liabilities increased by S\$175,000 are mainly contributed by the increase in the rental deposit amounting to S\$363,000 received from dormitory. This increase has been alleviated by the reclassification of loans amounting to S\$96,000 to current liabilities as certain of the payments for borrowings are due for repayment in Q1FY2022.

#### **Current Liabilities**

Trade and other payables increased by S\$331,000 is offset by the decreased in contract liabilities of S\$891,000. The decline in contract liabilities was mainly due to the decrease in advance payments from customers as most of the sales from FY2021 are delivered and completed in Q1FY2022. During the period of Q1FY2022, the Group has managed to make repayment of S\$665,000 to the external borrowings.

#### **Cash Flow**

During 1Q FY2020, cash and cash equivalents (after taking into account the effects of currency translation) rose from \$56,000 to S\$1.4 million, driven by net cash inflows from operating activities and mostly offset by net cash outflows from financing activities.

Net cash inflows from operating activities amounted to S\$922,000 after accounting for a positive change in working capital of S\$1.5 million are experiencing a net cash outflow of S\$526,000 from the increase in credit sales and prompt payment to suppliers.

Net cash outflows from financial activities amounted to S\$866,000 primarily for the repayment of borrowings and the corresponding interest expense.

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

Not applicable.

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

#### **Distributorship**

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

#### **Recycling of waste oil**

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

#### **Property Investments**

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

#### **Current litigations**

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

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

11. **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.**

**Current litigations (cont'd)**

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

**B. Litigations where the Company is a Defendant:**

1. HC Suit No. S115/2019 in relation to the 7.4 million shares awarded to Dr Lim <sup>2</sup>
2. HC Suit No. S612/2020 in relation to Mr Oon Koon Cheng's claim for conspiracy
3. Bill of Costs ("BC") No. BC 77/2021 in relation to a disputed invoice rendered by Fervent
4. BC No. BC 81/2021 in relation to a disputed invoice rendered by Fervent
5. BC No. BC 82/2021 in relation to a disputed invoice rendered by Fervent
6. BC No. BC 83/2021 in relation to a disputed invoice rendered by Fervent

<sup>1 & 2</sup> Please refer to Paragraph 1(d)(ii) above for more information.

- (a) In respect of A(1) and B(1), please refer to the Company's announcements dated 20 February 2022 and 25 March 2022.
- (b) In respect of B(3) to B(6), please refer to the Company's announcements dated 16 November 2021, 19 November 2021, 25 November 2021 and 4 December 2021.
- (c) In respect of other litigations, as the litigations are still ongoing, quantification of the financial impact is not available at this point in time.

12. **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.

13. **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 2021.

14. **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.

15. **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.

16. **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 2021 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD