USP Group Limited

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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 3RD QUARTER RESULTS

1(a)(i) 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					
	Unaudited					
	3 months ended			9 months ended		
	31/12/2017 ("Q3 2018")	31/12/2016 ("Q3 2017")	Increase/ (Decrease)	31/12/2017 ("9M 2018")	31/12/2016 ("9M 2017")	Increase/ (Decrease)
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	9,585	8,608	11.35	30,678	27,926	9.85
Cost of Sales	(6,181)	(4,934)	25.27	(19,950)	(15,967)	24.95
Gross Profit	**3,404**	**3,674**	(7.35)	**10,728**	**11,959**	(10.29)
Other income, net	1,060	1,210	(12.40)	978	1,821	(46.29)
Selling and distribution expenses	(333)	(193)	72.54	(1,067)	(597)	78.73
General and administrative expenses	(3,909)	(3,566)	9.62	(10,801)	(10,545)	2.43
Finance costs	(413)	(367)	12.53	(1,203)	(1,180)	1.95
(Loss)/profit before tax	**(191)**	**758**	(125.20)	**(1,365)**	**1,458**	(193.62)
Exceptional Item	1,164	(3,655)	(131.85)	1,164	(3,655)	(131.85)
(Loss)/profit before tax after exceptional item	973	(2,897)	N.M	(201)	(2,197)	N.M
Income tax	-	(22)	(100)	-	(122)	(100)
Profit/(loss) after tax	**973**	**(2,919)**	N.M	**(201)**	**(2,319)**	(91.33)
Profit/(loss) for the period attributable to:						
Owners of the Company	806	(2,734)	N.M	(352)	(2,542)	(86.15)
Non-controlling interests	167	(185)	N.M	151	223	(32.29)
Total comprehensive profit/(loss) for the period	**973**	**(2,919)**	N.M	**(201)**	**(2,319)**	(91.33)
EBITDA	**1,994**	**(1,977)**	N.M	**2,832**	**619**	(357.51)

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

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

	Group			
	Unaudited			
	3 months ended		9 months ended	
	31/12/2017 ("Q3 2018")	31/12/2016 ("Q3 2017")	31/12/2017 ("9M 2018")	31/12/2016 ("9M 2017")
	S$'000			
Depreciation	532	552	1,600	1,635
Amortization of intangible	76	-	229	-
Professional fees	802	285	1,295	641
Rental expenses	189	167	553	488
Staff costs	1,793	1,535	5,589	5,716
Interest expenses	414	367	1,204	1,180
Impairment of Investment	-	3,655	-	3,655
Gain on disposal of investment	(1,164)	-	(1,164)	-

Breakdown of other (expenses)/income, net

	Group			
	Unaudited			
	3 months ended		9 months ended	
	31/12/2017 ("Q3 2018")	31/12/2016 ("Q3 2017")	31/12/2017 ("9M 2018")	31/12/2016 ("9M 2017")
	S$'000			
Fair value adjustments on marketable securities	811	927	76	581
Exchange gain/ (loss), net	100	183	225	114
Bad debt written off	(4)	-	(16)	-
Gain on disposal of property, plant and equipment	-	(7)	-	(7)
Property, plant and equipment write off	(77)	-	(77)	-
Dividend income	-	-	10	15
Interest Income	-	37	-	127
Others	230	70	760	991
	1,060	**1,210**	**978**	**1,821**

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
	31/12/2017	31/03/2017	31/12/2017	31/03/2017
Non-current assets				
Property, plant and equipment	39,748	38,760	202	215
Investment properties	35,201	35,762	-	-
Investment securities	-	194	-	-
Investments in subsidiaries	-	-	1,358	1,358
Intangible assets	1,910	2,140	-	-
Deferred tax asset	93	101	-	-
Other receivables	-	1,129	-	-
Total non-current assets	**76,952**	**78,086**	**1,560**	**1,573**
Current assets				
Development property	4,247	3,646	-	-
Inventories	14,915	9,353	-	-
Trade and other receivables	4,320	4,056	37,822	38,388
Other assets	8,078	5,602	108	137
Investment securities	1,243	1,590	1,243	1,590
Cash and short-term deposits	2,883	3,125	629	692
Total current assets	**35,686**	**27,372**	**39,802**	**40,807**
Current liabilities				
Trade payables	3,798	2,334	-	123
Other payables	2,856	1,811	532	347
Amount due to subsidiaries	-	-	1,350	-
Finance lease liabilities	115	187	-	-
Tax payable	276	320	-	-
Loan and borrowings	15,551	11,818	-	-
Total current liabilities	**22,596**	**16,470**	**1,882**	**470**
Net current assets	**13,090**	**10,902**	**37,920**	**40,337**
Non-current liabilities				
Deferred tax liabilities	2,112	2,120	-	-
Other payables	1,500	1,500	-	800
Loan and borrowings	32,087	30,940	-	-
Finance lease liabilities	292	346	-	-
Rental deposits	698	475	-	-
Total non-current liabilities	**36,689**	**35,381**	**-**	**800**
Net assets	**53,353**	**53,607**	**39,480**	**41,111**
Equity				
Share capital	50,913	50,713	50,913	50,713
Other reserves	1,845	2,099	(383)	(166)
Accumulated profits	(2,432)	(2,080)	(11,050)	(9,436)
Equity attributable to owners of the Company	**50,326**	**50,732**	**39,480**	**41,111**
Non-controlling interests	3,027	2,875	-	-
Total equity	**53,353**	**53,607**	**39,480**	**41,111**

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

Amount repayable in one year or less, or on demand

As at 31/12/2017		As at 31/03/2017	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
15,666	-	12,005	-

Amount repayable after one year

As at 31/12/2017		As at 31/03/2017	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
32,379	-	31,286	-

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			
	3 months ended		9 months ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Operating activities:				
Profit/(loss) before tax	973	(2,897)	(201)	(2,197)
Adjustments for:				
Depreciation	532	552	1,600	1,635
Amortization of intangibles	76	-	229	-
Fair value loss on marketable securities	(811)	(927)	(76)	(581)
Interest income	(10)	(37)	(33)	(127)
Interest expenses	414	367	1,204	1,180
Loss on disposal of property, plant and equipment	-	7	-	7
PPE write off	77	-	77	-
Treasury shares reissued pursuant to employee share plan	-	100	-	288
Share-based compensation	-	69	-	523
Impairment in value of investment	-	3,655	-	3,655
Loss on sale of marketable securities	90	-	90	-
Gain on sale of investment in unquoted investment securities	(1,164)	-	(1,164)	-
Bad debts written off	4	8	16	8
Foreign currency translation	(66)	-	(88)	-
Allowance od doubtful debt	-	12	-	12
Unrealised exchange loss/(gain), net	16	(82)	51	(101)
Operating cash flows before working capital changes	**131**	**827**	**1,705**	**4,302**
(Increase)/decrease in receivables and prepaid operating expenses	297	414	(1,593)	1,628
(Increase)/decrease in Inventories	(581)	(1,618)	(5,562)	(173)
Decrease/(increase) in payables	1,776	1,332	2,732	(1,359)
Rental deposits	-	1	-	-
Cash flows generated from/(used in) operations	**1,623**	**956**	**(2,718)**	**4,398**
Interest income	10	37	33	127
Income tax paid	(9)	(207)	(44)	(590)
Interest paid, net	(414)	(367)	(1,204)	(1,180)
Translation adjustment	-	114	-	(25)
Net cash flows generated from/(used in) operating activities	**1,210**	**533**	**(3,933)**	**2,730**
Investing activities				
Purchase of property, plant and equipment	(2,519)	(150)	(2,733)	(485)
Sale of intangibles	-	6	-	6
Subsequent expenditure on development property	(196)	(64)	(601)	(143)
Sales proceed of property, plant and equipment	69	1	69	491

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. (Cont'd)

	Group			
	S$'000			
	Unaudited			
	3 months ended		9 months ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Proceeds from disposal of investment property	-	-	526	-
Proceeds from disposal of investment in unquoted investment securities	1,359	-	1,359	-
Proceeds from disposal of marketable securities	333	-	333	-
Net cash flows (used in)/generated from investing activities	**(954)**	**(207)**	**(1,047)**	**(131)**
Financing activities:				
Net proceeds from loan and borrowings	(215)	(258)	4,893	(3,363)
Repayment of finance lease liabilities, net	(101)	(127)	(126)	(328)
Share buy back	(29)	-	(29)	-
Net cash flows (used in)/generated from financing activities	**(345)**	**(385)**	**4,738**	**(3,691)**
Net (decrease)/increase in cash and cash equivalents	(89)	(59)	(242)	(1,092)
Cash and cash equivalents at beginning of period	2,972	5,289	3,125	6,322
Cash and cash equivalents at end of period	**2,883**	**5,230**	**2,883**	**5,230**

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	Discount on purchase of NCI's shares	Accumulated profits/ (losses)	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 – 3Q2018									
Balance at 1 Oct 2017	**50,913**	**-**	**(354)**	**2,414**	**(3,238)**	**(148)**	**49,587**	**2,860**	**52,447**
Loss for the period	-	-	-	-	806	-	806	167	973
Foreign currency translation movement	-	-	-	-	-	(38)	(38)	-	(38)
Share buy back	-	(29)	-	-	-	-	(29)	-	(29)
Balance at 31 December 2017	**50,913**	**(29)**	**(354)**	**2,414**	**(2,432)**	**(186)**	**50,326**	**3,027**	**53,353**
Previous year – 3Q2017									
Balance at 1 Oct 2016	**50,429**	**-**	**1,686**	**2,413**	**562**	**(191)**	**54,899**	**3,050**	**57,949**
Loss for the period	-	-	-	-	(2,734)	-	(2,734)	(185)	(2,919)
Foreign currency translation movement	-	-	-	-	-	34	34		34
Employee share ownership plan	69	-	100	-	-	-	169	-	169
Balance at 31 December 2016	**50,498**	**-**	**1,786**	**2,413**	**(2,172)**	**(157)**	**52,368**	**2,865**	**55,233**

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.

Company	Share capital	Other reserves	Treasury shares	Accumulated losses	Total Equity
	S$'000	S$'000	S$'000	S$'000	S$'000
Current quarter – 3Q2018					
Balance at 1 October 2017	**50,913**	**(354)**	**-**	**(11,350)**	**39,209**
Loss for the period	**-**	**-**	**-**	300	300
Share buy back	-	-	(29)	-	(29)
Balance at 31 December 2017	**50,913**	**(354)**	**(29)**	**(11,050)**	**38,480**
Previous quarter – 3Q2017					
Balance at 1 October 2016	**50,429**	**1,686**	**-**	**(11,489)**	**40,626**
Loss for the period	**-**	**-**	**-**	1,778	1,778
Total comprehensive loss for the period					
Employee share ownership plan	**69**	**100**	**-**	**-**	**169**
Balance at 31 December 2016	**50,498**	**1,786**	**-**	**(9,711)**	**42,573**

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

The Company did not issue any new shares for the 3 months ended 31 December 2017 (31 December 2016: 848,777)

Performance Shares

There were no performance shares granted but not vested as at 31 December 2017 (31 December 2016: 1,670,800)

The Company has 263,700 treasury shares as at 31 December 2017 (31 December 2016: Nil)

None of the Company's subsidiaries hold any shares in the Company at the end of the period under review.

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.

	31/12/2017	31/03/2017
Total number of issued ordinary shares excluding treasury shares	90,658,303	89,896,363

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 have been no sales, transfer, disposal, cancellation and/or use of treasury shares for the period reported on. Total number of treasury shares as at 31 December 2017 was 263,700 (31 December 2016: Nil)

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.

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 September 2017.

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/ (loss) 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	
	31/12/2017	**31/12/2016**
Profits/(loss) per ordinary share from the group, after deducting any provision for preference dividends (in SGD cents):		
(a) Based on weighted average number of ordinary shares on issue; and	1.07	(2.82)
Weighted average number of ordinary shares for basic profits/ (losses) per share computation	90,658,303	82,337,022
(b) On a fully diluted basis	1.07	(2.82)
Weighted average number of ordinary shares adjusted for the effect for dilution	90,658,303	82,337,022

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	
	31/12/2017	**31/03/2017**	**31/12/2017**	**31/03/2017**
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	55.51	56.43	43.55	45.73
No. of ordinary shares used in computing net asset value	90,658,303	89,896,363	90,658,303	89,896,363

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 (3Q2018 VS 3Q2017)

Revenue

Operating revenue grew 11.4% to reach S$9.59 million for the quarter and 9.9% to $30.68 million for the 9 months period compared to the corresponding period. This is primarily boosted by contribution from Supratechnic Group, especially in its new markets in East Malaysia and Indonesia. The increase was compensated by a dip in the Oil segment for the quarter.

Other (expenses)/income, net

Other income amounted to S$1.06 million in the quarter mainly from the revaluation of quoted securities.

Operating Expenses

Selling and distribution expenses increased by 72.5% to approximately S$0.33 million (Q3 2017: S$0.19 million) due to the corresponding increase in revenue from the marine trading business.

General and administrative expenses increased by 9.6% to approximately S$3.91 million (Q3 2017: S$3.57 million) due to the legal cost incurred from the legal suit with an associate company. This case was subsequently

settled in November 2017 as announced on 10 November 2017.

Finance costs also increased as the Group increased its utilization of bank facilities to grow its marine trading business. Finance costs increased to S$0.4 mil for the quarter.

Profit After Tax

The Group achieved a record of net profit for the quarter with an exceptional gain on the divestment of MSV Systems amounting to S$1.16 million. As such, EBITDA increased to a positive S$1.99 million as compared to the corresponding period of a negative EBITDA of S$1.98 million.

REVIEW OF FINANCIAL POSITION AND CASH FLOW STATEMENT

Current Assets

Cash and bank deposit at end third quarter 2018 totaled $2.88 million (2017: $3.12 million). Inventories increased to $14.92 million (2017: $9.35 million) due to the Group's broader coverage to East Malaysia and Indonesia and the anticipation of market demand. Other Asset increased to S$8.08 million due to deposit made with Mercury and advance rental paid for our Indonesia branches.

Current Liabilities

Overall current liabilities increased by $6.13 million largely due to the increase in loan and borrowings consisting of $7.66 million in bills payable to finance the growing marine trading business.

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.

Oil-blending business

The Oil-blending business is expected to improve due to the increasing oil prices and increased production output due to production efficiencies. The Group will be discussing with PUB on further extending the relationship for the oil business in the next quarter. .

Property Development business

There is expected delay in our project at 71 Blandford in obtaining its TOP due to additional TOP conditions set by BCA. The company is currently in the process of fulfilling BCA conditions and aim to achieve TOP no later than end March 2018. Meanwhile, Koon Cheng Development Pte Ltd, the Group's yield generating property investment company is expected to continue to contribute positively to the Group's Property Development business.

Marine business

The Group's marine business, represented by Supratechnic Group has showed improvement in its marine revenue in the current reported period as compared to the corresponding period. This trend is expected to continue as the "Mercury" brand is gaining wider market acceptance and wider market territories.

As part of the expansion plans, two new entities have been successfully incorporated in Brunei and Malaysia on December 2017 and November 2017 respectively to further promote Mercury products.

The Group also entered into alliances with boat builders and other marine companies to expand its product range as announced on 9 January 2018. Currently, sales of out-board-motors contribute 50.36% of the Group's revenue. While sales of the OBM products are expected to continue to grow steadily, the expansion into new products is expected to complement and further drive the growth of OBM products.

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 31 December 2017.

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 31 December 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Li Hua
Executive Chairman/CEO
9 February 2018