USP Group Limited

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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2020

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.

	Group		
	Unaudited	Unaudited	
	3 months ended		
	30 June 2020 ("Q1 2021")	30 June 2019 ("Q1 2020")	Increase/ (Decrease)
	S$'000	S$'000	%
Revenue	5,010	9,125	(45.1)
Cost of Sales	(2,489)	(6,207)	(59.9)
Gross Profit	**2,521**	**2,918**	13.6
Other income, net (Note 1(a)(ii))	366	32	NM
Selling and distribution expenses	(78)	(267)	(70.8)
General and administrative expenses (Note 1(a)(ii))	(1,932)	(2,749)	(29.7)
Finance costs	(341)	(546)	(37.5)
Profit/(loss) before income tax from continuing operations	**536**	**(611)**	NM
Income tax	(18)	-	
Profit/(loss) after income tax from continuing operations	**518**	**(611)**	NM
Discontinued operation			
Loss from discontinued operations, net of tax	(251)	(23)	NM
Profit/(loss) for the period	**267**	**(634)**	NM
Profit/(loss) attributable to:			
Owners of the Company	279	(638)	NM
Non-controlling interests	(12)	4	NM
	267	**(634)**	NM

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 2020 ("Q1 2021")	30 June 2019 ("Q1 2020")
Depreciation	218	635
Amortization of intangible	-	43
Professional fees	303	123
Rental expenses	70	268
Staff costs	916	1,624

Breakdown of other income/(expenses), net

	Group	
	S$'000	
	Unaudited	Unaudited
	3 months ended	
	30 June 2020 ("Q1 2021")	30 June 2019 ("Q1 2020")
Exchange loss, net	99	2
Loss on disposal of property, plant and equipment	32	-
Interest Income	12	13
Others	223	17
	366	**32**

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 June 2020	31 March 2020	30 June 2020	31 March 2020
Non-current assets				
Property, plant and equipment	17,394	18,050	61	67
Investment properties	28,000	28,000	-	-
Investment in subsidiaries	-	-	1,097	1,097
Intangible assets	1	1	-	-
Deferred tax assets	319	300	-	-
Total non-current assets	**45,714**	**46,351**	**1,158**	**1,164**
Current assets				
Inventories	12,178	11,519	-	-
Trade and other receivables	6,897	6,332	19,298	19,627
Investment securities	-	907	-	907
Cash and short-term deposits	4,266	3,847	1,113	87
	23,341	**22,605**	**20,411**	**20,621**
Assets of disposal group classified as held for sale	11,176	11,208	-	-
Total current assets	**34,517**	**33,813**	**20,411**	**20,621**
Total assets	**80,231**	**80,164**	**21,569**	**21,785**
Current liabilities				
Trade payables and other payables	3,290	4,328	4,072	3,667
Contract liabilities	156	156	-	-
Other financial liabilities	39,954	39,962	-	-
Income tax payable	375	99	-	-
	43,775	**44,545**	**4,072**	**3,667**
Liabilities directly associated with disposal group classified as held for sale	5,990	5,764	-	-
Total current liabilities	**49,765**	**50,309**	**4,072**	**3,667**
Non-current liabilities				
Other payables and accruals	-	172	-	-
Other financial liabilities	3,369	3,418	**-**	**-**
Deferred tax liabilities	1,442	1,292	**-**	**-**
Total non-current liabilities	**4,811**	**4,882**	**-**	**-**
Total liabilities	**54,576**	**55,191**	**4,072**	**3,667**
Equities				
Share capital	51,172	51,172	51,172	51,172
Treasury shares	(99)	(99)	(99)	(99)
Other reserves	5,125	4,684	(355)	(355)
Accumulated losses	(30,524)	(30,791)	(33,221)	(32,600)
Total equity attributable to owners of the parent	**25,674**	**24,966**	**17,569**	**18,118**
Non-controlling interests	(19)	7	-	-
Total equity	**25,655**	**24,973**	**17,497**	**18,118**
Total equity and liabilities	**80,231**	**80,164**	**21,569**	**21,785**

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 2020		As at 31 March 2020	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
39,954	-	39,962	-

Amount repayable after one year

As at 30 June 2020		As at 31 March 2020	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
3,369	-	3,418	-

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 2020	30 June 2019
Operating activities:		
Profit before tax from continuing operations	536	(611)
Losst before tax from discontinued operations	(251)	(23)
Adjustments for:		
Depreciation of property, plant and equipment	218	635
Amortization of intangibles	-	43
Interest income	(12)	(13)
Interest expenses, net	342	576
Loss on disposal of property, plant and equipment	-	-
Foreign currency translation	(454)	(360)
Operating cash flows before working capital changes	**379**	**247**
Decrease /(increase) in trade receivables and prepayments	(66)	(386)
Decrease /(increase) in inventories	1,104	877
(Decrease)/increase in trade and other payables	(1,109)	(541)
Cash flows generated from operations	**308**	**197**
Income tax paid	(258)	39
Interest received	12	13
Net cash flows generated from operating activities	**62**	**249**
Investing activities		
Purchase of property, plant and equipment	(12)	(40)
Proceeds from divestment of investment securities	1,036	-
Subsequent expenditure on development property	-	(20)
Net cash flows generated from/(used in) investing activities	**1,024**	**(60)**
Financing activities:		
Net repayment of loans and borrowings	(225)	754
Interest paid, net	(342)	(576)
Net cash flows generated from/(used in) financing activities	**(567)**	**178**
Net increase in cash and cash equivalents	519	367
Cash and cash equivalents at beginning of period	166	(1,008)
Cash and cash equivalents at end of period	**353**	**(641)**

Cash and cash equivalents comprise:

	Group	
	S$'000	
	Unaudited	Unaudited
	30 June 2020	30 June 2019
Cash on hand and at bank	1,412	1,081
Fixed deposits	2,854	2,605
Cash and cash equivalents as per statement of financial position	**4,266**	**3,686**
Less: Fixed deposits pledged	(2,854)	(2,605)
Less: Bank overdraft	(1,059)	(1,722)
Cash and cash equivalents as per consolidated statement of cash flows	**353**	**(641)**

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
Current year:							
Opening Balance at 1 April 2020	51,172	(99)	4,694	(30,803)	24,964	7	24,971
Profit for the financial year	-	-	-	279	279	(26)	253
Other comprehensive loss for the financial year	-	-	431	-	431	-	431
Closing balance at 31 March 2020	51,172	(99)	5,125	(30,524)	25,674	(19)	25,655
Previous year:							
Opening Balance at 1 April 2019	50,913	(99)	4,716	(25,017)	30,513	84	30,597
Loss for the financial year	-	-	-	(5,356)	(5,356)	(77)	(5,433)
Other comprehensive loss for the financial year	-	-	(22)	(5,356)	(5,378)	(77)	(5,455)
Issuance of shares pursuant to PSP	259	-	-	-	259	-	259
Closing balance at 31 March 2020	51,172	(99)	4,694	(30,373)	25,394	7	25,401

Company	Share capital	Treasury shares	Other reserves	Accumulated losses	Total Equity
	S$'000	S$'000	S$'000	S$'000	S$'000
Current year:					
Opening balance at 1 April 2020	51,172	(99)	(355)	(32,600)	18,118
Total comprehensive loss for the year	-	-	-	(621)	(621)
Closing balance as at 31 March 2020	51,172	(99)	(355)	(33,221)	17,497
Previous year:					
Opening balance at 1 April 2019	50,913	(99)	(355)	(33,028)	17,431
Issuance of shares pursuant to PSP	259	-	-	-	259
Total comprehensive loss for the year	-	-	-	428	428
Closing balance as at 31 March 2020	51,172	(99)	(355)	(32,600)	18,118

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 improperly issued and/or subjected 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. The Company will make the necessary announcements and updates in due course. The Company was informed by a law firm that it had, pursuant to certain court proceedings commenced by another substantial shareholder that it had obtained an undertaking from the former CEO's counsel that the said former CEO's will not exercise his rights over the shares and will not dispose of the shares.

Performance Shares

Except for the 7.4 million shares referred to above, there were no performance shares granted as at 30 June 2020 (30 June 2019: Nil).

Treasury Shares

As of 30 June 2020, the Company has 634,600 treasury shares (31 March 2020: 636,400) as of the end of the reported period.

Except for 4,252,920 shares registered in a third party's name where the ultimate beneficial interest in the shares belongs to the Company, none of the Company's subsidiaries hold any shares in the Company at the end of the period under review. At that material time, the Company had commenced legal action to recover the shares from the third party. Both the Company and the third party had resolved the matter amicably. The shares are in the process of being returned to the Company via their respective lawyers. The Company will make the necessary announcements and updates in due course.

The sum total of 634,600 plus 4,252,920 amounting to 4,887,520 shares represent 5.4% of the total number of shareholdings.

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 June 2020	31 March 2020
Total number of issued ordinary shares excluding treasury shares	90,287,403	90,287,403

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.

Other than the adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") as mentioned in paragraph 5 below, there were no changes in the accounting policies and methods of computation adopted in the financial statements of the Group for the current reporting period as compared to the most recently audited financial statements for the reporting year ended 30 June 2020.

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.

The adoption of the new Singapore Financial Reporting Standards (International) (SFRS(I)) 16 would impact the Group's financial statements but only to the extent of the amount reflected in Property, Plant and Equipment and long term liabilities but have no material impact on the net profit after tax and net assets.

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 2020	30 June 2019
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	0.3	(0.68)
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	0.3	(0.68)
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 2020	31 March 2020	30 June 2020	31 March 2020
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	28.44	27.65	19.38	20.07
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 (1Q2021 VS 1Q2020)

Revenue

Group revenue dipped from S$9m to S$5m in the current reported period as a result of the global COVID pandemic which see lockdown in countries such as Malaysia where the group has substantial operations.

Expenses

General and administrative expenses decreased by $0.8 million to $1.9 million in current reported quarter as compared to the corresponding period. This was mainly due to the reduction in staff costs of about $0.7 million due to staff turnover.

Profit After Tax

In the current reported quarter, the Group generated a net profit after tax of S$0.2 million as a result of the improved operating results of the Marine segment in Indonesia and the Calibration segment. Revenue stream from the property segment was relatively stable.

REVIEW OF FINANCIAL POSITION (Q1 ending 30.6.20 VS FYE 31.3.19)

Current Assets

Cash balances improved due to the receipt of the proceeds from the cash exit offer arising from Huan Hsin as announced on 29 April 2020. Correspondingly, as of 30 June 2020, the Group no longer has any investment in securities.

Current Liabilities

Current liabilities reduced mainly due to the repayment of supplier payment.

Cash Flow

Net cash position improved from the corresponding period of a negative S$0.6 million to S$0.3 million at the end of the reported period. This arose mainly due to the proceeds from the cash exit offer by Huan Hsin.

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.

Distributorship

As mentioned in the FYE 2020 full year results of even date, despite the challenging market conditions which the Group currently faced, the Group will still continue to proactively roll out various cost cutting measures to contain its operating costs.

Recycling of waste oil

The Group has entered into a Sale and Purchase Agreement with AJ Jetting to dispose its entire stake in Biofuel Research with a long stop date of 12 December 2020. The Group is currently in the process of calling for an Extraordinary General Meeting to obtain shareholder's approval.

Property

While the return of 16 Joo Koon Circle which is currently underway, the Woodlands property which consists of 1 block of dormitory, the Group is expecting the new requirements issued by the relevant authorities arising from the current COVID situation to change the current operating framework. The Group will follow the regulations closely to ensure compliant.

Hand sanitizer

While the sales team is exploring the distribution channel, the Group remains committed to its corporate social responsibility and continues to give back to the community.

Breach of loan covenants

The Company is in breach of certain bank covenants for failing to maintain Group tangible net worth at SGD30m at all times. The Company is currently in process of negotiating with its principal banker to accommodate the breach on a one-off basis for the FYE 2020. With the current injunction applied by a controlling shareholder on the Company's last Extraordinary General Meeting held on 13 July 2020, the Company currently has no mandate to raise fund through equity financing to strengthen its balance sheet. The Group will provide the necessary update when there is material development.

Current litigations

Listed below is the current list of litigations that the Company is currently having.

Wherein the Company is a Plaintiff.

1. HC/OS317/2020 Setting aside of the Statutory Demand
2. HC/S116/2020 Return of 7.4 million shares by Dr Lim
3. HC/S328/2020 Claim in relation to Koon Cheng Development
4. DC1363/2020 Claim for breach of fiduciary duties and unlawful assistance
5. HC/OS 826/2020 Contempt of court

Wherein the Company is a Defendant.

1. HC/OS1192 With respect to 2019 AGM
2. HC/OS144/2020 Breach of the rules of the Performance Share Plan for the 7.4 million shares awarded to Dr Lim
3. HC/S115/2020 In relation to 2019 AGM
4. HC/CWU108/2020 Winding up proceedings
5. HC/S612/2020 Claim by Ricky for conspiracy to injure

In event of an unsuccessful outcome being ruled against the Group arising from the above legal suits, there will be financial impact on the Group. As the legal suits are still ongoing, quantification of the financial impact is not available at this point in time.

Despite the challenges faced by the Group in the current uncertain market conditions, the Group continues to focus on cost controlling, cash conservation and to ensure sustainability of its operating businesses. At the same time, the Group continues to review and actively explore new opportunities for growth in the current economic market attributable by the COVID pandemic.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend has been declared as the company has an accumulated loss as of 30 June 2020.

(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) Record 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 2020.

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 2020 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Tanoto Sau Ian
Executive Director
7 September 2020