USP Group Limited

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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2017

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 2017 ("Q1 2018")	30 June 2016 ("Q1 2017")	Increase/ (Decrease)
	S$'000	S$'000	%
Revenue	9,205	10,289	(10.5)
Cost of Sales	(5,981)	(6,153)	(2.8)
Gross Profit	**3,224**	**4,136**	(22.1)
Other income/(expenses), net	272	(29)	N.M.
Selling and distribution expenses	(342)	(203)	68.5
General and administrative expenses	(3,485)	(3,343)	(4.25)
Finance costs	(381)	(412)	(7.5)
(Loss)/profit before tax	**(712)**	**149**	(577.9)
Income tax	-	(79)	(100.0)
(Loss)/profit after tax	**(712)**	**70**	(1,117.1)
Total comprehensive (loss)/profit for the period attributable to:			
Owners of the Company	(658)	(46)	(1,330.4)
Non-controlling interests	(54)	116	(146.6)
Total comprehensive loss for the period	**(712)**	**70**	(1,117.1)
EBITDA excluding extraordinary losses	**284**	**1,503**	(81.1)

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 2017 ("Q1 2018")	30 June 2016 ("Q1 2017")
Depreciation	539	943
Amortization of intangible	76	-
Professional fees	239	185
Rental expenses	181	154
Staff costs	1,949	1,914

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

Breakdown of other income/(expenses), net

	Group	
	S$'000	
	Unaudited	Unaudited
	3 months ended	
	30 June 2017 ("Q1 2018")	30 June 2016 ("Q1 2017")
Fair value adjustments on marketable securities	32	(146)
Exchange loss, net	61	(79)
Bad debt written off	(11)	(1)
Loss on disposal of property, plant and equipment	-	(29)
Dividend income	6	11
Others	184	215
	272	**(29)**

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 2017	31 March 2017	30 June 2017	31 March 2017
Non-current assets				
Property, plant and equipment	38,319	38,760	211	215
Investment properties	35,727	35,727	-	-
Investment in unquoted share	194	194	-	-
Investments in subsidiaries	-	-	1,358	1,358
Intangibles	1,608	1,684	-	-
Deferred tax asset	9	9	-	-
	75,857	**76,374**	**1,568**	**1,573**
Current assets				
Cash and cash equivalents	2,963	3,125	517	692
Development property	3,725	3,646	-	-
Trade receivables	3,973	3,706	-	170
Other receivables	6,866	6,669	39,741	39,850
Prepayments	671	747	8	30
Inventories	10,212	9,376	-	-
Marketable securities	1,623	1,590	1,623	1,590
	30,033	**28,859**	**41,889**	**42,332**
Current liabilities				
Trade payables	2,219	1,634	-	-
Other payables and accruals	2,137	2,037	1,382	1,270
Deferred rent payable	525	525	-	-
Finance lease liabilities	167	194	-	-
Tax payable	190	179	-	-
Loans and borrowings	12,178	11,582	-	-
	17,416	**16,151**	**1,382**	**1,270**
Net current assets	**12,617**	**12,708**	**40,507**	**41,062**
Non-current liability				
Other payables and accruals	1,452	1,484	-	-
Deferred tax liabilities	2,000	2,000	-	-
Loans and borrowings	31,193	31,139	-	-
Finance lease liabilities	389	370	-	-
	35,034	**34,993**	**-**	**-**
Net assets	**53,440**	**54,089**	**42,076**	**42,635**
Equity attributable to owners of the Company				
Share capital	52,029	51,829	52,029	51,829
Other reserves	2,852	2,989	56	242
Accumulated losses	(3,799)	(3,141)	(10,009)	(9,436)
	51,082	**51,677**	**42,076**	**42,635**
Non-controlling interests	2,358	2,412	-	-
	53,440	**54,089**	**42,076**	**42,635**

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 2017		As at 31 March 2017	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
12,178	-	11,582	-

Amount repayable after one year

As at 30 June 2017		As at 31 March 2017	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
31,193	-	31,139	-

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 June 2017	30 June 2016
Operating activities:		
(Loss)/profit before tax	(712)	149
Adjustments for:		
Depreciation of property, plant and equipment	539	943
Amortization of intangibles	76	-
Fair value loss on marketable securities	(32)	146
Interest income	(11)	(70)
Interest expenses, net	381	412
Loss on disposal of property, plant and equipment	-	29
Value of employee services received for issue of performance shares	(186)	88
Bad debt written off	11	-
Share-based compensation	200	-
Foreign currency translation	49	-
Unrealised exchange loss/(gain), net	2	(8)
Operating cash flows before working capital changes	**317**	**1,689**
(Increase)/decrease in trade receivables and prepayments	(399)	319
(Increase)/decrease in inventories	(837)	819
Increase/(decrease) in trade and other payables	655	(1,344)
Cash flows (used in)/ generated from operations	**(264)**	**1,483**
Income tax paid	10	(243)
Interest received	11	70
Net cash flows (used in)/generated from operating activities	**(243)**	**1,310**
Investing activities		
Purchase of property, plant and equipment	(100)	(500)
Sale of intangibles	-	2
Subsequent expenditure on development property	(80)	(32)
Sales proceed of property, plant and equipment	-	61
Net cash flows used in investing activities	**(180)**	**(469)**
Financing activities:		
Net proceeds/(repayment) of loans and borrowings	650	(226)
Interest paid, net	(381)	(412)
(Repayment)/drawdown of finance lease liabilities, net	(8)	2
Net cash flows from/(used) in financing activities	**261**	**(636)**
Net (decrease)/increase in cash and cash equivalents	(162)	205
Cash and cash equivalents at beginning of period	3,125	6,322
Cash and cash equivalents at end of period	**2,963**	**6,527**

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	Gain/(loss) on reissuance of treasury shares	Share based compensation reserve	Accumulated profits/ (losses)	Discount on purchase of NCI's shares	Foreign currency translation reserve	Other 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$'000	S$'000
Current year – 1Q2018										
Balance at 1 April 2017	**51,829**	**(379)**	**186**	**(3,141)**	**2,414**	**(132)**	**900**	**51,677**	**2,412**	**54,089**
Total comprehensive loss for the period	-	-		(658)	-	-	-	(658)	(54)	(712)
Translation movement	-	-		-	-	49	-	49	-	49
Value of employee services received for issue of performance shares	-	-	14	-	-	-	-	14	-	14
Issuance of shares pursuant to PSP	200	-	(200)	-	-	-	-	-	-	-
Balance at 30 June 2017	**52,029**	**(379)**	**-**	**(3,799)**	**2,414**	**(83)**	**900**	**51,082**	**2,358**	**53,440**
Previous year – 1Q2017										
Balance at 1 April 2016	**49,975**	**(379)-**	**20**	**369**	**2,414**	**-**	**1,856**	**54.255**	**2,645**	**56,900**
Total comprehensive loss for the period	-	-		(46)	-	-	-	(46)	116	70
Foreign currency translation	**-**	**-**		**-**	**-**	(38)	**-**	(38)	**-**	(38)
Value of employee services received for issue of performance shares	**-**	**-**	**88**	-	**-**	-	**-**	88	**-**	88
Balance at 30 June 2016	**49,975**	**(379)**	**108**	**323**	**2,414**	**(38)**	**1,856**	**54,259**	**2,761**	**57,020**

Company	Share capital	Other reserves	Gain/loss on reissuance of treasury shares	Share based compensation reserve	Accumulated losses	Total Equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Current quarter – 1Q2018						
Balance at 1 April 2017	**51,829**	**435**	**(379)**	**186**	**(9,436)**	**42,635**
Loss for the period	-	-	-	-	(573)	(573)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(573)**	**(573)**
Value of employee services received for issue of performance shares	-	-	-	14	-	14
Issuance of shares pursuant to PSP	200	-	-	(200)	-	-
Balance at 30 June 2017	**52,029**	**435**	**(379)**	**-**	**(10,009)**	**42,076**
Previous quarter – 1Q2017						
Balance at 1 April 2016	**49,975**	**1,856**	**(379)**	**20**	**(10,173)**	**41,299**
Total comprehensive loss for the period	-	-	-	-	(469)	(469)
Value of employee services received for issue of performance shares	-	-	-	88	-	88
Balance at 30 June 2016	**49,975**	**1,856**	**(379)**	**108**	**(10,642)**	**40,918**

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

During the 3 months ended 30 June 2017, the Company issued 1,025,640 ordinary shares pursuant to the following:

1. 1,025,640 ordinary shares were issued to selected eligible employees pursuant to the USP Group Performance Share Plan;

Performance Shares

There were no performance shares granted but not vested as at 30 June 2017 (30 June 2016: 1,670,800)

The Company does not have any treasury shares at the end of the period under review.

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 preceeding year.

	30 June 2017	31 March 2017
Total number of issued ordinary shares excluding treasury shares	90,922,003	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 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.

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 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/ (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 2017	**30 June 2016**
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	(0.72)	(0.06)
Weighted average number of ordinary shares for basic profits/ (losses) per share computation	90,922,003	78,775,381
(b) On a fully diluted basis	(0.72)	(0.06)
Weighted average number of ordinary shares adjusted for the effect for dilution	90,922,003	78,775,381

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 2017	**31 March 2017**	**30 June 2017**	**31 March 2017**
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	56.18	57.49	46.28	47.43
No. of ordinary shares used in computing net asset value	90,922,003	89,896,363	90,922,003	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 (1Q2018 VS 1Q2017)

Revenue

Revenue decreased by $1.1 million from S$10.3 million in 1Q2017 to $9.2 million in 1Q2018. The decrease was primarily due to the change of key management and personnel in one of the subsidiaries, Scientific & Industrial Instrumentation ("SII"). A new team has been set in place and the Group does not foresee significant impact moving forward. 1Q2018 revenue of SII dipped to $0.6 million (1Q2017: $1.3 million) resulting in an operating loss for the subsidiary.

1Q2018 was also the first quarter of revenue contributed by the sales of Mercury Marine products since the Group took over the exclusive distributorship in December 2016 for Singapore, Malaysia, Brunei and Indonesia and its first shipment arriving only in March 2017. Sales for Mercury Marine Out Board Motors ("OBM") in 1Q 2018 matched the sales for Yamaha OBM in the 1Q 2017, signaling that Supratechnic is successful in transitioning from Yamaha to Mercury. The Group has since opened additional offices in Kota Kinabalu, Kuching, Batam and Bali todate.

The Group's Oil business revenue recorded an increase of $0.1 million due to increase of selling price as compared to the previous corresponding period.

Expenses

Selling and distribution expenses increased by $0.14 million is mainly due to the increase in salesforce and its supporting staff in-line with Supra Group expansion.

Loss After Tax

The current quarter recorded a loss before tax of $0.6 million (Q1 2017: $0.07 million) due to a loss in SII of $0.05 million as well as increase in expenses due to Supra expansion plans, e.g. additional costs for running the new branches. Despite that, EBITDA for the period remains positive.

REVIEW OF FINANCIAL POSITION (Q1 ending 30.6.17 VS FYE 31.3.16)

Current Assets

Inventories increased from $9.4 million to $10.2 million due to inventory buildup for fulfilment of sales order in the next quarter and also the increased coverage from previously only Singapore and West Malaysia to include East Malaysia and Indonesia. This increase was partially offset by a decrease in cash and cash equivalents.

Current Liabilities

Trade payables increased from $1.6 million as at 31 March 2017 to $2.2 million as at 30 June 2017 in line with higher inventories. Net Loans and borrowings increased by $0.6 million due to the increased of short term bank borrowings for working capital requirements.

Cash Flow

Net cash used in operating activities in Q1 2018 amounted to $0.2 million due mainly to the increase in inventories of $0.8 million and increase in trade and other receivables of $ 0.4 million.

Net cash used in investing activities during Q1 2018 was $0.2 million, attributable mainly to capital expenditure. Net Cash from financing activities of $0.3 million was mainly due to the proceeds from bank borrowings of $1.6 million, partially offset by the repayment of bank borrowings of $ 0.95 million.

As a result of the above, there was a net decrease of $0.2 million in our cash and cash equivalents, from $3.1 million as at 1 April 2017 to $3 million as at 30 June 2017.

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

Despite the marginal growth in our Oil-blending business, the global oil economy is expected to remain challenging. With this, the Group is holding back its expansion plan as announced previously in our full year results.

Property Development business

In line with our announcement on 26 July 2017, our rental yield from our Industrial Property in Woodlands continues to remain stable. The Group has successfully applied to increase its gross plot ratio to 2.5 from the current 1.0 and is in the process of applying with the relevant agencies to strata title our Woodlands property.

The Group has secured a buyer for its project in Punggol Seventeenth Avenue and speaking to potential buyers for its Blandford Drive property.

Marine business

The take-up of the Mercury product has been promising and the expansion into the Group's new markets in East Malaysia and Indonesia has gained traction. The current market, West Malaysia has also showed strong customer conversion and a good pipeline moving forward. Compared to a previous market size of approximately 6,500 out-board motors per year for the Group, the market size has grown to approximately 34,000 out-board motors per year for the Group with the inclusion of East Malaysia and Indonesia. Barring unforeseen circumstances, the Group expects growth in the Marine business for FY2018. The expansion, however, has increased the Group's financial requirements for working capital. The Group is exploring additional facilities with its bankers and other fund raising options.

On 30 May 2017, the Group also announced that it is exploring the listing of its marine business to the Hong Kong GEM exchange. The Group is still aggressively exploring its options and will update the shareholders at a later stage.

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 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 30 June 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Li Hua
Executive Chairman/CEO
14 August 2017