USP Group Limited

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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 2ND 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			6 months ended		
	30/09/2019 ("Q2 2020")	30/09/2018 ("Q2 2019")	Increase/ (Decrease)	30/09/2019 ("1H 2020")	30/09/2018 ("1H 2019")	Increase/ (Decrease)
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	9,316	12,984	(28.3)	19,014	23,325	(18.5)
Cost of Sales	(4,820)	(8,540)	(43.6)	(11,121)	(14,671)	(24.2)
Gross Profit	**4,496**	**4,444**	1.2	**7,893**	**8,654**	(8.8)
Other (expenses)/income, net (see Note 1(a)(ii))	(52)	(716)	N.M.	55	(580)	N.M.
Selling and distribution expenses	(329)	(426)	(22.8)	(596)	(702)	(15.1)
General and administrative expenses (see Note 1(a)(ii))	(3,338)	(3,866)	(13.7)	(6,634)	(7,296)	(9.1)
Finance costs	(549)	(503)	9.1	(1,124)	(1,004)	12.0
Profit/(loss) before tax	**228**	**(1,067)**	N.M.	**(406)**	**(928)**	(56.3)
Income tax	-	-		-	-	
Profit/(loss) after tax	**228**	**(1,067)**	N.M.	**(406)**	**(928)**	(56.3)
Loss for the period attributable to:						
Owners of the Company	220	(1,007)	N.M.	(418)	(858)	(51.3)
Non-controlling interests	8	(60)	N.M.	12	(70)	N.M.
	228	**(1,067)**	N.M.	**(406)**	**(928)**	(56.3)
EBITDA	**1,373**	**152**	N.M.	**1,992**	**1,501**	32.7

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		6 months ended	
	30/09/2019 ("Q2 2020")	30/09/2018 ("Q2 2019")	30/09/2019 ("1H 2020")	30/09/2018 ("1H 2019")
	S$'000			
Amortization of intangible	42	17	85	34
Depreciation	554	699	1,189	1,391
Penalties (1)	1	550	1	551
Professional fees	229	216	352	380
Rental expenses	194	210	462	422
Staff costs	1,505	1,603	3,129	3,394

Breakdown of other (expenses)/income, net

	Group			
	Unaudited			
	3 months ended		6 months ended	
	30/09/2019 ("Q2 2020")	30/09/2018 ("Q2 2019")	30/09/2019 ("1H 2020")	30/09/2018 ("1H 2019")
	S$'000			
Fair value adjustments on marketable securities (2)	-	(454)	-	(454)
Exchange loss, net(3)	(179)	(316)	(177)	(296)
Bad debt written off	-	(2)	-	(2)
Gain on disposal of property, plant and equipment	52	-	56	(1)
Gain on disposal				
Interest Income	15	13	29	24
Others	60	43	147	149
	(52)	**(716)**	**55**	**(580)**

(1) Penalties refer to the additional buyer's stamp duties (ABSD) incurred by the Group due to the delay launch of its development project.

(2) Fair value adjustments on marketable securities refer to the adjustment in value of 64,809,400 share in Huan Hsin Holdings Ltd as at 30 September 2018.

(3) The exchange losses were attributable to the continued strengthening of the USD as the marine business continues to procures in USD terms.

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 Sep 2019	31 March 2019	30 Sep 2019	31 March 2019
Non-current assets				
Property, plant and equipment [1]	25,223	17,599	143	162
Investment properties	30,939	31,603	-	-
Investments in subsidiaries	-	-	1,097	1,097
Intangibles	1,517	1,144	-	-
Deferred tax asset	559	23	-	-
	58,238	**50,369**	**1,240**	**1,259**
Current assets				
Cash and cash equivalents	3,545	3,258	375	359
Development property	3,420	3,400	-	-
Trade receivables and other receivables	7,668	7,875	19,239	18,126
Other assets	1,384	1,015	-	19
Inventories	13,840	14,992	-	-
Marketable securities	-	-	-	-
	29,857	**30,540**	**19,614**	**18,504**
Assets of disposed group held for sale [1]	-	9,036	-	-
	29,857	**39,576**	**19,614**	**18,504**
Current liabilities				
Trade payables and other payables	6,884	7,444	3,500	2,332
Deferred rent payable	-	68	-	-
Finance lease liabilities	84	75	-	-
Tax payable	837	573	-	-
Loans and borrowings	45,259	43,658	-	-
	53,064	**51,818**	**3,500**	**2,332**
Liabilities of a disposed group held for sale [1]	-	3,253	-	-
	53,064	**55,071**	**3,500**	**2,332**
Net current (liabilities)/assets	**(23,207)**	**(15,495)**	**16,114**	**16,172**
Non-current liability				
Other payables	708	256	-	-
Deferred tax liabilities	1,153	1,153	-	-
Loans and borrowings	2,710	2,727	-	-
Finance lease liabilities	23	141	-	-
	4,594	**4,277**	**-**	**-**
Net assets	**30,437**	**30,597**	**17,354**	**17,431**
Equity attributable to owners of the Company				
Share capital	51,172	50,913	51,172	50,913
Other reserves	4,605	4,617	(454)	(454)
Accumulated losses	(25,436)	(25,017)	(33,364)	(33,028)
	30,341	**30,513**	**17,354**	**17,431**
Non-controlling interests	96	84	-	-
	30,437	**30,597**	**17,354**	**17,431**

[1] A subsidiary and its assets and liabilities previously classified as held for sale at 31 March 2019 were restored at 30 September 2019 as the sale of the subsidiary will be aborted.

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

Amount repayable in one year or less, or on demand

As at 30/09/2019		As at 31/03/2019	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
45,259	-	43,733	-

Amount repayable after one year

As at 30/09/2019		As at 31/03/2019	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
2,710	-	2,868	-

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			
	3 months ended		6 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Operating activities:				
Profit/(loss) before tax	228	(1,067)	(406)	(928)
Adjustments for:				
Depreciation	554	699	1,189	1,391
Amortization of intangibles	42	17	85	34
Fair value loss on marketable securities	-	454	-	454
(Gain)/loss on disposal of property, plant and equipment and investment property	(56)	-	(56)	1
Interest income	(16)	(13)	(29)	(24)
Interest expenses	548	503	1,124	1,004
Share-based compensation	4	-	4	-
Bad debts written off	-	2	-	2
Foreign currency translation	(438)	(136)	(798)	(173)
Operating cash flows before working capital changes	**866**	**459**	**1,113**	**1,761**
Increase in receivables and prepaid operating expenses	327	(2,117)	(59)	(1,736)
Decrease/(Increase) in Inventories	356	2,050	1,233	4,147
Decrease in payables	(950)	1,057	(1,491)	57
Cash flows generated from/(used in) operations	**599**	**1,449**	**796**	**4,229**
Interest income	16	13	29	24
Income tax refund	225	108	264	111
Net cash flows generated from/(used in) operating activities	**840**	**1,570**	**1,089**	**4,364**
Investing activities				
Purchase of property, plant and equipment	(192)	(53)	(232)	(128)
Subsequent expenditure on development property	-	210	(20)	95
Proceeds from disposal of property, plant and equipment and investment property	437	-	437	-
Net cash flows generated from/(used in) investing activities	**245**	**157**	**185**	**(33)**
Financing activities:				
Net repayment of loan and borrowings	(1,024)	(1,077)	(165)	(5,361)
Interest paid, net	(548)	(503)	(1,124)	(1,004)
Repayment of finance lease liabilities, net	(4)	(40)	(109)	(60)
Net cash flows (used in)/generated from financing activities	**(1,576)**	**(1,620)**	**(1,398)**	**(6,425)**
Net (decrease)/increase in cash and cash equivalents	(491)	107	(124)	(2,094)
Cash and cash equivalents at beginning of period	(641)	(1,186)	(1,008)	1,015
Cash and cash equivalents as per statement of financial position	**(1,132)**	**(1,079)**	**(1,132)**	**(1,079)**

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)

Cash and cash equivalents comprise:

	Group	
	S$'000	
	Unaudited	Unaudited
	30/09/2019	30/09/2018
Cash on hand and at bank	895	783
Fixed deposits	2,650	2,227
Cash and cash equivalents as per statement of financial position	**3,545**	**3,010**
Less: Fixed deposits pledged	(3,000)	(2,227)
Less: Bank overdraft	(1,677)	(1,862)
Cash and cash equivalents at end of period	**(1,132)**	**(1,079)**

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 profits/ (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
Balance at 1 July 2019	**50,913**	**(99)**	**5,940**	**(25,651)**	**31,103**	**88**	**31,191**
Issued performance share[(1)]	259	-	-	-	259	-	259
Profit for the period	-	-	(1,241)	220	(1,021)	8	(1,013)
Balance at 30 September 2019	**51,172**	**(99)**	**4,699**	**(25,431)**	**30,341**	**96**	**30,437**
Balance at 1 July 2018	**50,913**	**(99)**	**1,957**	**(1,884)**	**50,887**	**3,084**	**53,971**
Loss for the period	-	-	-	(1,007)	(1,007)	(60)	(1,067)
Foreign currency translation movement	-	-	(131)	-	(131)	-	(131)
Balance at 30 September 2018	**50,913**	**(99)**	**1,826**	**(2,891)**	**49,749**	**3,024**	**52,773**
Balance at 1 July 2018	**50,913**	**(99)**	**1,957**	**(1,884)**	**50,887**	**3,084**	**53,971**

(1) The Company is taking steps to cancel these 7.4 million shares. See also note 1(d)(ii) below.

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	Accumulated losses	Total Equity
	S$'000	S$'000	S$'000	S$'000
Current quarter – 2Q2020				
Balance at 1 July 2019	**50,913**	**(454)**	**(33,236)**	**17,223**
Issued performance shares[1]	259	-	-	259
Loss for the period	-	-	(128)	(128)
Balance at 30 September 2019	**51,172**	**(454)**	**(33,364)**	**17,354**
Previous quarter – 2Q2019				
Balance at 1 July 2018	**50,913**	**(454)**	**(10,875)**	**39,584**
Loss for the period	-	-	(702)	(1,341)
Balance at 30 September 2018	**50,913**	**(454)**	**(11,577)**	**38,882**
Balance at 1 July 2018	**50,913**	**(454)**	**(10,875)**	**39,584**

[1] The Company is taking steps to cancel these 7.4 million shares. See also note 1(d)(ii) below.

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 reported period. The Company takes the view that the shares were improperly issued and/or subject to be forfeited upon the former CEO's resignation. The shares are now the subject of court proceedings. The Company will make the necessary announcements and updates in due course.

Performance Shares

Except for the 7.4 million shares referred to above, there were no performance shares granted as at 30 September 2019 (30 September 2018: Nil)

Treasury Shares

As of 30 September 2019, the Company has 634,600 treasury shares (30 September 2018: 634,600) as of the end of the reported period.

None of the Company's subsidiaries hold any shares in the Company at the end of the period under review except for 4,252,920 shares registered in a third party's account where the ultimate beneficial interest in the shares belongs to the Company.

The sum total of 634,000 plus 4,252,920 amounting to 4,886,920 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 preceding year.

	30/09/2019	31/03/2019
Total number of issued ordinary shares excluding treasury shares	90,287,403*	90,287,403

*This exclude 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.

The adoption of the new Singapore Financial Reporting Standards (FRS) 16 would impact the Group's financial statements but only to the extent of the amounts reflected in Property, Plant and Equipment and long term liabilities but have no material impact on the net profit after tax and net assets. The adjusted net profit after tax, Property, Plant and Equipment and long term liabilities amounts will be reflected in the next quarter results after consultation with the auditors.

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	
	30/09/2019	30/09/2018
(Losses)/profits 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	0.25	(1.12)
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	0.25	(1.12)
Weighted average number of ordinary shares adjusted for the effect for	90,287,403	90,287,403

dilution		

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	
	30/09/2019	**31/03/2019**	**30/09/2019**	**31/03/2019**
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	33.61	33.80	19.22	19.31
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 (2Q2019 VS 2Q2018)

Revenue

Revenue for 2Q2019 when compared with the same period in 2018 dropped by 28% or about SGD3.6m to SGD9.3m. This was primarily attributed to the marine businesses. The Singapore marine entity saw a significant drop in revenue of about SGD2m due to the departure of certain sales and marketing personnel and the cessation of an overseas sales office. The Indonesia entity accounted for a about SGD1m decrease in revenue due to lower business sentiments during the election period which was recently concluded. The turnover in Malaysia was sustained with a marginally drop of about SGD0.5m.

Despite the overall drop in revenue, the gross profit margins improved for the marine businesses whereby Government contracts picked up significantly in 2019. Third party sales actually declined but the gross profit margins increased due to the overall higher selling prices. The gross profit margins for the other business units were comparable to 2018.

Other Expenses

Other expenses decreased mainly because there is no fair value adjustments to the marketable securities during the reported period as the securities have been fully impaired in the last financial year.

Selling and Distribution

Selling and distribution expenses decrease by about S$0.1 million due to decreased in sales.

General and Administrative

G&A expenses decreased by 13.7% from S$3.9 million in 2Q2019 to S$3.3 million in the current reported period. One of the reasons for the reduction is due to the reduction in manpower .

Finance Costs

Finance cost increase marginally to S$0.55 million in 2Q2020 (2Q2019: S$0.50 million) from higher effective borrowing rates and borrowings.

Profit After Tax

The current reported period has a profit after tax of S$0.2 million as compared to a huge loss of S$1.0 million in the corresponding period. The reported profit is a result of the decreased in selling and distribution expenses and general and administrative expenses. In addition, there is no longer any fair value adjustment on the marketable securities as the whole investment amount was impaired fully in the last financial year.

REVIEW OF FINANCIAL POSITION AND CASH FLOW STATEMENT

Fixed Assets

The increased in the fixed assets of Property, Plant and Equipment is due to the reclassification of a subsidiary treated as held for sale previously to a fully consolidated subsidiary. The sale will be aborted.

Current Assets

Inventories decreased by S$1.2 million from S$15.0 million to S$13.8 million largely due to the inventory that was previously stocked up in anticipation of the potential Malaysia government contract but now sold off in the current reported period.

Current Liabilities

Overall current liabilities decreased by about S$2.0 million due largely to the reclassification in Biofuel other payables.

Cash Flow

During the period, the Group generated S$0.8 million from operating activities and generated a net S$0.2 million of cash flow from investing activities due to the disposal of one of its investment properties in Philippine.

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

Based on the momentum for 1H2020, our Marine business will continue to be our revenue driver for the second half. Management expect government contracts to continue to pick up.

Recycling of waste oil

The recycling business is expected to improve going into 2H2019 with the expected increases in selling prices of its recycled products.

Property Investments

The Group has successfully sold off its development unit at 71 Blandford and bringing in a net cash inflow of about S$0.6 million. The Group is currently in the process of disposing its London investment property and is expected to complete the sale by the final quarter of this year.

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 September 2019 as the Company has accumulated losses as of 30 September 2019.

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 September 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Yin Kum Choy
Executive Director
12 December 2019