USP GROUP LIMITED

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28 September 2017

CORRIGENDUM TO 2017 ANNUAL REPORT

USP Group Limited refers the below changes to the 2017 Annual Report. There is no financial impact from the below mentioned changes. The corrected Notes (extract) to the Financial Statements are presented below:-

Note 2 Significant accounting policies and other explanatory information

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Note 7 Other gains and (other losses)

	Group	
	2017 $'000	2016 $'000 (Restated)
Foreign exchange (loss)/gain, net	100	(72)
Fair value (loss)/gains on quoted securities (Note 17)	768	(8,363)
Loss on disposal of plant and equipment	(6)	–
Reversal/(Allowance) for doubtful other receivables (Note 21)	12	(28)
Bad debts written off	(9)	–
Written off plant and equipment	(2)	–
Inventories written off	(547)	–
Allowance for impairment of goodwill (Note 18)	–	(22)
Allowance for impairment on plant and machinery (Note 14)	(508)	–
Allowance for impairment on deposit (Note 22)	(247)	–
Allowance for impairment on investment securities reversal/(loss) (Note 17)	1,500	(1,500)
Loss on disposal of investment securities	(4,326)	–
Provision for diminution in value of development property (Note 19)	–	(180)
Negative goodwill arising from acquisition of subsidiaries (Note 16)	–	17,335
Government grant income	–	20
Reversal of inventory gains previously recognised (Note 20)	(2,636)	–
Others	30	291
Net	(5,871)	7,481
Presented in profit and loss as:		
Other gains	2,410	17,646
Other losses	(8,281)	(10,165)
	(5,871)	7,481

Note 14 Property plant and equipment

Deletion of the below two paragraphs:

The group engaged Savills (Malaysia) Sdn Bhd, an independent valuer, with a recognised and relevant professional qualification and with recent experience in the locations and categories of the properties being valued, to determine the fair value of the freehold land and building in connection with the purchase price allocation exercise of the acquisition of Supratechnic Pte Ltd in the previous financial year (Note 16). Details of the valuation techniques and inputs used are disclosed in Note 34.

The group engaged Dennis Wee Realty Pte Ltd and Savills (Malaysia) Sdn Bhd, independent valuers, with recognised and relevant professional qualifications and with recent experience in the locations and categories of the properties being valued to determine the fair value of the leasehold properties in connection with the purchase price allocation exercise of the acquisition of Supratechnic Pte Ltd in the current financial year (Note 16). Details of the valuation techniques and inputs used are disclosed in Note 34.

Note 14 Investment properties

The directors conducted a yearly review and are of the view that the carrying value of the investment properties approximate their fair values at the end of the reporting period.

Description	Fair Value $'000	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 March 2017				
Investment properties	33,500	Direct comparison and profit method	Rental price per square foot ("psf") [(1)]	Favourable (adverse) change in price will increase (decrease) fair value
At 31 March 2016				
Investment properties	33,500	Direct comparison and profit method	Rental price per square foot ("psf") [(1)]	Favourable (adverse) change in price will increase (decrease) fair value

[(1)] Any significant isolated increase/(decrease) in these inputs would result in a significantly lower/(higher) fair value measurement.

Note 16 Investment in subsidiaries

Supratechnic Pte Ltd, Supratechnic (M) Sdn Bhd and Koon Cheng Development Pte Ltd are identified as significant subsidiaries with net tangible assets represent 20% or more of the group's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the group's consolidated pre-tax profit.

Note 19 Development property

Borrowing costs included in the cost of qualifying assets are as follows:

	Group	
	2017	2016
Capitalisation rates per annum	2.64%	2.65%
	$'000	$'000
Borrowing costs capitalised included in additions during the year	61	64

Note 24 Share capital

	2017 $'000	2016 $'000
Net debt:		
All current and non-current borrowings including finance leases	43,291	42,790
Less: Cash and cash equivalents (Note 23A)	(3,125)	(6,322)
Net debt	40,166	36,468
Adjusted capital:		
Total equity	53,607	59,125
Capital and net debt	93,773	95,593
Debt-to-adjusted capital ratio	43%	38%

Note 34C Fair values of financial instruments

Management has determined that the carrying amounts of trade and other receivables, cash and cash equivalents and trade and other payables reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently to market interest rates

Note 34E Liquidity risk - financial liabilities maturity analysis

	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Group				
2017:				
Trade and other payables	3,612	2,180	–	5,792
Other financial liabilities	12,902	19,152	17,339	49,393
	16,514	21,332	17,339	55,185
2016:				
Trade and other payables	10,054	1,141	–	11,195
Other financial liabilities	13,706	16,019	17,337	47,062
	23,760	17,160	17,337	58,257

Note 34F Interest rate risk

A hypothetical 10% increase in the market index of quoted equity shares would have an effect on pre-tax profit of $159,000 and other comprehensive income before tax of $159,000.

BY ORDER OF THE BOARD

Li Hua
Executive Chairman and Chief Executive Officer

28 September 2017