

USP Group Limited

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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2018

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 2018 ("Q1 2019")	30 June 2017 ("Q1 2018")	Increase/ (Decrease)
	S\$'000	S\$'000	%
Revenue	10,341	9,232	12.01
Cost of Sales	(6,131)	(5,879)	4.29
Gross Profit	4,210	3,353	25.56
Other income, net (Note 1(a)(ii))	136	245	(44.49)
Selling and distribution expenses	(276)	(342)	(19.30)
General and administrative expenses (Note 1(a)(ii))	(3,430)	(3,587)	(4.38)
Finance costs	(501)	(381)	(31.5)
Profit/(loss) before tax	139	(712)	N.M
Income tax	-	-	-
Profit/(loss) after tax	139	(712)	N.M
Total comprehensive profit/ (loss) for the period attributable to:			
Owners of the Company	149	(658)	N.M
Non-controlling interests	(10)	(54)	N.M
Total comprehensive profit/(loss) for the period	139	(712)	N.M
EBITDA excluding extraordinary losses	1,349	207	N.M

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 2018 ("Q1 2019")	30 June 2017 ("Q1 2018")
Depreciation	692	539
Amortization of intangible	17	76
Professional fees	164	239
Rental expenses	212	181
Staff costs	1,791	1,949

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 2018 ("Q1 2019")	30 June 2017 ("Q1 2018")
Fair value adjustments on marketable securities	-	32
Exchange loss, net	16	61
Bad debt written off	-	(11)
Loss on disposal of property, plant and equipment	(1)	-
Dividend income	-	6
Interest Income	11	11
Others	110	146
	136	245

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 June 2018	31 March 2018	30 June 2018	31 March 2018
Non-current assets				
Property, plant and equipment	38,176	38,793	190	198
Investment properties	35,135	35,138	-	-
Investments in subsidiaries	-	-	1,358	1,358
Intangibles	1,817	1,834	-	-
Deferred tax asset	543	533	-	-
	75,671	76,298	1,548	1,556
Current assets				
Cash and cash equivalents	3,090	3,103	377	330
Development property	4,598	4,483	-	-
Trade receivables and other receivables	6,363	5,550	38,742	38,301
Other assets	5,498	6,720	9	24
Inventories	11,764	13,862	-	-
Marketable securities	1,178	1,178	1,178	1,178
	32,491	34,896	40,306	39,833
Current liabilities				
Trade payables	2,009	2,864	-	-
Other payables and accruals	3,304	3,507	2,270	2,205
Deferred rent payable	681	681	-	-
Finance lease liabilities	120	120	-	-
Tax payable	166	163	-	-
Loans and borrowings	14,533	16,487	-	-
	20,813	23,822	2,270	2,205
Net current assets	11,678	11,074	38,036	37,628
Non-current liability				
Other payables and accruals	409	383	-	-
Deferred tax liabilities	2,065	2,065	-	-
Loans and borrowings	30,671	30,811	-	-
Finance lease liabilities	233	253	-	-
	33,378	33,512	-	-
Net assets	53,971	53,860	39,584	39,184
Equity attributable to owners of the Company				
Share capital	50,913	50,913	50,913	50,913
Other reserves	1,858	1,886	(454)	(454)
Accumulated losses	(1,884)	(2,033)	(10,875)	(11,275)
	50,887	50,766	39,584	39,184
Non-controlling interests	3,084	3,094	-	-
	53,971	53,860	39,584	39,184

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 2018		As at 31 March 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
14,533	-	16,487	-

Amount repayable after one year

As at 30 June 2018		As at 31 March 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
30,671	-	30,811	-

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 2018	30 June 2017
Operating activities:		
Profit/(loss) before tax	139	(712)
Adjustments for:		
Depreciation of property, plant and equipment	692	539
Amortization of intangibles	17	76
Fair value loss on marketable securities	-	(32)
Interest income	(11)	(11)
Interest expenses, net	501	381
Loss on disposal of property, plant and equipment	1	-
Value of employee services received for issue of performance shares	-	(186)
Bad debt written off	-	11
Share-based compensation	-	200
Foreign currency translation	(37)	51
Operating cash flows before working capital changes	1,302	317
Decrease /(increase) in trade receivables and prepayments	381	(399)
Decrease /(increase) in inventories	2,097	(837)
(Decrease)/increase in trade and other payables	(1,000)	655
Cash flows generated from/(used in) operations	2,780	(264)
Income tax paid	3	10
Interest received	11	11
Net cash flows generated from/(used in) operating activities	2,794	(243)
Investing activities		
Purchase of property, plant and equipment	(75)	(100)
Subsequent expenditure on development property	(115)	(80)
Net cash flows used in investing activities	(190)	(180)
Financing activities:		
Net repayment of loans and borrowings	(3,001)	(414)
Interest paid, net	(501)	(381)
Repayment of finance lease liabilities, net	(20)	(8)
Net cash flows used in financing activities	(3,522)	(803)
Net decrease in cash and cash equivalents	(918)	(1,226)
Cash and cash equivalents at beginning of period	(268)	1,015
Cash and cash equivalents at end of period	(1,186)	(211)

Cash and cash equivalents comprise:

	Group	
	S\$'000	
	Unaudited	Unaudited
	30 June 2018	30 June 2017
Cash on hand and at bank	874	1,141
Fixed deposits	2,216	1,822
Cash and cash equivalents as per statement of financial position	3,090	2,963
Less: Fixed deposits pledged	(2,216)	(1,822)
Less: Bank overdraft	(2,060)	(1,352)
Cash and cash equivalents as per consolidated statement of cash flows	(1,186)	(211)

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	Accumulated profits/(losses)	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
Current year – 1Q2018							
Balance at 1 April 2018	50,913	(99)	(2,033)	1,985	50,766	3,094	53,860
Total comprehensive loss for the period	-	-	149	-	149	(10)	139
Translation movement	-	-	-	(28)	(28)	-	(28)
Value of employee services received for issue of performance shares	-	-	-	-	-	-	-
Issuance of shares pursuant to PSP	-	-	-	-	-	-	-
Balance at 30 June 2018	50,913	(99)	(1,884)	1,957	50,887	3,084	53,971
Previous year – 1Q2017							
Balance at 1 April 2017	51,829	(379)	(3,141)	3,368	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)	3,231	51,082	2,358	53,440

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 – 1Q2019						
Balance at 1 April 2018	50,913	(454)	-	-	(11,275)	39,184
Loss for the period	-	-	-	-	400	400
Total comprehensive loss for the period	-	-	-	-	400	400
Value of employee services received for issue of performance shares	-	-	-	-	-	-
Issuance of shares pursuant to PSP	-	-	-	-	-	-
Balance at 30 June 2018	50,913	(454)	-	-	(10,875)	39,584
Previous quarter – 1Q2018						
Balance at 1 April 2017	51,829	435	(379)	186	(9,436)	42,635
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

- 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 30 June 2018. (30 June 2017: 1,025,640)

Performance Shares

There were no performance shares granted but not vested as at 30 June 2018 (30 June 2017: Nil).

As of 30 June 2018, the Company has 634,600 treasury shares (30 June 2017: Nil) accounting for 0.698% of the total number of shares outstanding 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.

- 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 June 2018	31 March 2018
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.

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 2018.

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 2018	30 June 2017
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	0.17	(0.72)
Weighted average number of ordinary shares for basic profits/ (losses) per share computation	90,287,403	90,922,003
(b) On a fully diluted basis	0.17	(0.72)
Weighted average number of ordinary shares adjusted for the effect for dilution	90,287,403	90,922,003

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 2018	31 March 2018	30 June 2018	31 March 2018
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	56.36	56.23	43.84	43.40
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 (1Q2019 VS 1Q2018)

Revenue

Group revenue rose 12% in 1Q2019 to S\$10.3 million as compared to S\$9.2 million in 1Q2018, with growth driven by our Marine business. Revenue from the marine business reached S\$8.1 million, an increase of 19%. Correspondingly, cost of sales increased 4.3% to S\$6.1 million (1Q2018: S\$5.9 million) in 1Q2019.

Expenses

Selling and distribution expenses decreased by 19.3% to S\$0.28 million (1Q2018: S\$0.34 million) whereas G&A expenses decreased by 4.4% to S\$3.4 million (1Q2018: S\$3.6 million) due to management cost controlling measures taking effect.

Finance costs increased by 31.5% to S\$0.5 million (1Q2018: S\$0.38 million) due to increased financing made during the period.

Profit After Tax

Profit for the period increased to S\$0.1 million as compared to a net loss of S\$0.7 million of the same corresponding period. This is largely contributed by the increase in Marine revenue and cost control measures.

REVIEW OF FINANCIAL POSITION (Q1 ending 30.6.19 VS FYE 31.3.18)

Current Assets

Inventories decreased from S\$13.9 million to S\$11.8 million largely due to the increase in Marine sales. Correspondingly, this largely contributed to the increase in trade and other receivables from S\$5.6 million to S\$6.4 million. Despite this, the Group's trade receivables turnover is about 43 days.

Current Liabilities

Total current liabilities reduced by S\$3 million mainly due to the paying down of trade suppliers and borrowings.

Cash Flow

Net cash inflow from operating activities for the reported period ended 30 June 2018 rose to S\$2.8 million, from a cash outflow of S\$0.2 million for the corresponding period.

Net cash outflow from financing activities for the quarter was S\$3.5 million, compared to outflow of S\$0.8 million in the same period last year. This was largely due to net repayment of S\$3 million of bank borrowings in the current reported period.

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 previously announced in our FY2018 full year results, the increase in branches and locations in Indonesia and Malaysia will continue to be the major revenue growth catalyst for the Group. Mercury Marine, our principal recently launched a new range of V6 and V8 engines early this year. The performance of the engines is reported to be better than the existing range. Reception of these engines has been positive with our customers and the Group expects this to be one of the key drivers for growth this year. The Group also brought in one unit of Fire Rescue Watercar, an amphibious vehicle in July and is working with various parties for demonstrations.

Recycling of waste oil

Despite the marginal growth in this business, Biofuel is expected to continue generating positive cashflow for the Group. In addition, the Biodiesel trial production is currently on-going. The Group will update shareholders of any material development.

Property Investments

71 Blandford has obtained its CSC in June 2018 and approval has been obtained with one of the relevant agencies to build up our existing two storey semi-detached unit to a two and a half storey semi-detached so that we can command a better selling price. However, this is expected to be dampened by the current soft residential property market as a result of the cooling measures introduced by the government recently.

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 2018.

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 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Li Hua
Executive Chairman/CEO
10 August 2018