

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

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

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 2019 ("Q1 2020")	30 June 2018 ("Q1 2019")	Increase/ (Decrease)
	S\$'000	S\$'000	%
Revenue	9,125	9,708	(6.0)
Cost of Sales	(6,207)	(6,016)	3.2
Gross Profit	2,918	3,692	(21.0)
Other income, net (Note 1(a)(ii))	32	62	NM
Selling and distribution expenses	(267)	(276)	(3.3)
General and administrative expenses (Note 1(a)(ii))	(2,749)	(2,927)	(6.1)
Finance costs	(546)	(456)	19.7
(Loss)/profit before income tax from continuing operations	(611)	95	NM
Income tax	-	-	
(Loss)/profit after income tax from continuing operations	(611)	95	NM
Discontinued operation			
(Loss)/profit from discontinued operations, net of tax	(23)	44	NM
(Loss)/profit for the period	(634)	139	NM
(Loss)/profit attributable to:			
Owners of the Company	(638)	149	NM
Non-controlling interests	4	(10)	NM
	(634)	139	NM
EBITDA	534	1,349	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 2019 ("Q1 2020")	30 June 2018 ("Q1 2019")
Depreciation	635	692
Amortization of intangible	43	17
Professional fees	123	164
Rental expenses	268	212
Staff costs	1,624	1,791

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 2019 ("Q1 2020")	30 June 2018 ("Q1 2019")
Exchange loss, net	2	12
Loss on disposal of property, plant and equipment	-	(1)
Interest Income	13	11
Others	17	40
	32	62

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 2019	31 March 2019	30 June 2019	31 March 2019
Non-current assets				
Property, plant and equipment	18,427	18,533	152	162
Investment properties	31,600	31,603	-	-
Investments in subsidiaries	-	-	1,097	1,097
Intangibles	1,101	1,144	-	-
Deferred tax asset	39	23	-	-
	51,167	51,303	1,249	1,259
Current assets				
Cash and cash equivalents	3,609	3,258	514	359
Development property	3,420	3,400	-	-
Trade receivables and other receivables	8,687	7,875	18,707	18,126
Other assets	1,041	1,015	2	19
Inventories	14,058	14,992	-	-
Marketable securities	-	-	-	-
	30,815	30,540		
Assets of disposed group held for sale	8,955	9,036		
	39,770	39,576	19,223	18,504
Current liabilities				
Trade payables and other payables	7,525	7,444	3,249	2,332
Deferred rent payable	84	68	-	-
Finance lease liabilities	83	75	-	-
Tax payable	53	573	-	-
Loans and borrowings	18,842	19,233	-	-
	26,587	27,393		
Liabilities of a disposed group held for sale	3,129	3,253		
	29,716	30,646	3,249	2,332
Net current assets	10,054	8,930	15,974	16,172
Non-current liability				
Other payables	263	256	-	-
Deferred tax liabilities	1,860	1,153	-	-
Loans and borrowings	27,879	27,152	-	-
Finance lease liabilities	28	141	-	-
	30,030	28,702	-	-
Net assets	31,191	31,531	17,223	17,431
Equity attributable to owners of the Company				
Share capital	50,913	50,913	50,913	50,913
Other reserves	4,907	4,617	(454)	(454)
Accumulated losses	(24,717)	(24,083)	(33,236)	(33,028)
	31,103	31,447	17,223	17,431
Non-controlling interests	88	84	-	-
	31,191	31,531	17,223	17,431

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 2019		As at 31 March 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
18,925	-	19,308	-

Amount repayable after one year

As at 30 June 2019		As at 31 March 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
27,907	-	27,293	-

Details of any collateral

Borrowings are secured by properties, shares of the subsidiaries, corporate guarantees of the Company, personal guarantees given by a former 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 2019	30 June 2018
Operating activities:		
(Loss)/profit before tax from continuing operations	(611)	95
(Loss)/profit before tax from discontinued operations	(23)	44
Adjustments for:		
Depreciation of property, plant and equipment	635	692
Amortization of intangibles	43	17
Interest income	(13)	(11)
Interest expenses, net	576	501
Loss on disposal of property, plant and equipment	-	1
Foreign currency translation	(360)	(37)
Operating cash flows before working capital changes	247	1,302
Decrease /(increase) in trade receivables and prepayments	(386)	381
Decrease /(increase) in inventories	877	2,097
(Decrease)/increase in trade and other payables	(541)	(1,000)
Cash flows generated from operations	197	2,780
Income tax paid	39	3
Interest received	13	11
Net cash flows generated from operating activities	249	2,794
Investing activities		
Purchase of property, plant and equipment	(40)	(75)
Subsequent expenditure on development property	(20)	(115)
Net cash flows used in investing activities	(60)	(190)
Financing activities:		
Net repayment of loans and borrowings	859	(3,001)
Interest paid, net	(576)	(501)
Repayment of finance lease liabilities, net	(105)	(20)
Net cash flows generated from/(used in) financing activities	178	(3,522)
Net increase/(decrease) in cash and cash equivalents	367	(918)
Cash and cash equivalents at beginning of period	(1,008)	(268)
Cash and cash equivalents at end of period	(641)	(1,186)

Cash and cash equivalents comprise:

	Group	
	S\$'000	
	Unaudited	Unaudited
	30 June 2019	30 June 2018
Cash on hand and at bank	1,081	874
Fixed deposits	2,605	2,216
Cash and cash equivalents as per statement of financial position	3,686	3,090
Less: Fixed deposits pledged	(2,605)	(2,216)
Less: Bank overdraft	(1,722)	(2,060)
Cash and cash equivalents as per consolidated statement of cash flows	(641)	(1,186)

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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 – 1Q2020							
Balance at 1 April 2019	50,913	(99)	(24,083)	4,716	31,447	84	31,531
Total comprehensive loss for the period	-	-	(634)	290	(344)	4	(340)
Balance at 30 June 2019	50,913	(99)	(24,717)	5,006	31,003	88	31,191
Previous year – 1Q2019							
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)
Balance at 30 June 2018	50,913	(99)	(1,884)	1,957	50,887	3,084	53,971

Company	Share capital	Other reserves	Accumulated losses	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000
Current quarter – 1Q2020				
Balance at 1 April 2019	50,913	(454)	(33,029)	17,430
Loss for the period	-	-	(207)	(207)
Total comprehensive loss for the period	-	-	(207)	(207)
Balance at 30 June 2019	50,913	(454)	(33,236)	17,223
Previous quarter – 1Q2019				
Loss for the period	-	-	400	400
Total comprehensive loss for the period	-	-	400	400
Balance at 30 June 2018	50,913	(454)	(10,875)	39,584

- 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 2019. (30 June 2018: Nil)

Performance Shares

There were no performance shares granted but not vested as at 30 June 2019 (30 June 2018: Nil).

As of 30 June 2019, the Company has 634,600 treasury shares (30 June 2018: 634,600) 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 2019	31 March 2019
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 unaudited financial statements for the financial year ended 31 March 2019.

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.**

On 1 April 2019, the Group adopted SFRS(I), the equivalent to the International Financial Reporting Standards, as required by the listing requirements of the Singapore Exchange. Accordingly, the financial statements have been prepared based on this new reporting framework. The adoption of SFRS(I) did not result in any substantial change to the Group's accounting policies as the accounting policies adopted by the Group under the previous accounting framework are consistent with SFRS(I).

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 2019	30 June 2018
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	(0.68)	0.11
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	(0.68)	0.11
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 2019	31 March 2019	30 June 2019	31 March 2019
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	34.45	34.83	19.08	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 (1Q2020 VS 1Q2019)

Revenue

Group revenue dipped by 6% in 1Q2020 to S\$9.1 million as compared to S\$9.7 million in 1Q2019, with the dipped mainly by the marine business while the rental income from the property business remained stable.

Expenses

Sales and Marketing expenses decreased by 3.3% to S\$0.27 million corresponding to the dip in revenue while General and administrative expenses decreased by 6.1% to S\$2.7 million (1Q2019: S\$2.9 million) as the Group continued to tighten its overheads.

Finance costs increased by 19.7% to S\$0.5 million (1Q2019: S\$0.4 million) due to increased financing made during the period.

Loss After Tax

Loss for the Group from continuing operations for the reported period 1Q2020 was S\$0.6million, mainly contributed by drop in revenue in the Marine business.

REVIEW OF FINANCIAL POSITION (Q1 ending 30.6.19 VS FYE 31.3.19)

Current Assets

Total current assets increased marginally from S\$39.6 million to S\$39.8 million due to the increased in trade receivables.

Current Liabilities

Total current liabilities reduced by S\$0.9 million mainly due to the paying down of trade suppliers and borrowings.

Cash Flow

Net cash position improved from the corresponding period of a negative S\$1.2 million to S\$0.6 million at the end of the 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

The Marine business will continue to be our key revenue driver. The Group secured a government tender to supply Mercury outboard motors to the Malaysia Department of Fisheries worth S\$1.3 million and expect to deliver the products in 2Q FY 2020. Despite this, the Group remains cautious about the remainder of the year in light of the slowing economy, the strengthening US Dollar and the supply of popular engines from the product principal, Mercury.

Property Investments

The Company is currently in negotiation with a potential buyer for its 71 Blandford development and is expected to enter into the Option to Purchase by end of this month. Meanwhile, our property investment in Woodlands is almost fully leased out and is expected to continue to bring in positive stable cashflow to the Group.

Recycling of waste oil

As previously announced, the Group has entered into a definitive sale and purchase agreement on 7 August 2019 to dispose Biofuel Research.

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 reported a loss in the reported period.

(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/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 30 June 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 June 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Nah Ee Ling
Executive Director
14 August 2019