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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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		
	30/09/2020 ("Q2 2021")	30/09/2019 ("Q2 2020")	Increase/ (Decrease)	30/09/2020 ("1H 2021")	30/09/2019 ("1H 2020")	Increase/ (Decrease)
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	9,509	8,785	8.2	14,519	17,911	(18.9)
Cost of Sales	(6,727)	(4,723)	42.4	(9,216)	(10,930)	15.7
Gross Profit	**2,782**	**4,062**	(32.7)	**5,303**	**6,981**	(24.0)
Other income/(expenses),net	9	(125)	NM	375	(86)	NM
Selling and distribution expenses	(146)	(329)	(55.6)	(224)	(596)	(62.4)
General and administrative expenses (see Note 1(a)(ii))	(2,381)	(2,885)	(17.4)	(4,313)	(5,632)	(23.4)
Finance costs	(261)	(523)	(50.1)	(602)	(1,068)	(43.6)
Profit/(loss) before income tax from continuing operations	**3**	**200**	NM	**539**	**(401)**	NM
Income tax	(27)	-	NM	(45)	-	NM
(Loss)/profit after income tax from continuing operations	**(24)**	**200**	NM	**494**	**(401)**	NM
Discontinued operations						
Profit/(loss) from discontinued operations, net of tax	217	28	NM	(34)	(5)	NM
Profit/(loss) for the period	**193**	**228**	7.5%	**460**	**(406)**	NM
Loss for the period attributable to:						
Owners of the Company	178	220		462	(418)	
Non-controlling interests	15	8		(2)	12	
	193	**228**		**460**	**(406)**	

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	
	30/09/2020 ("Q2 2021")	30/09/2019 ("Q2 2020")	30/09/2020 ("1H 2021")	30/09/2019 ("1H 2020")
	S$'000			
Amortization of intangible	-	42	-	85
Depreciation	533	554	1,013	1,189
Professional fees	557	229	861	352
Rental expenses	97	194	209	462
Staff costs	973	1,505	2100	3,129

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 Sep 2020	31 March 2020	30 Sep 2020	31 March 2020
Non-current assets				
Property, plant and equipment	18,403	18,050	61	67
Investment properties	28,000	28,000	-	-
Investments in subsidiaries	-	-	1,097	1,097
Intangibles	1	1	-	-
Deferred tax asset	307	300	-	-
Total non-current assets	**46,711**	**46,351**	**1,158**	**1,164**
Current assets				
Cash and cash equivalents	4,524	3,847	924	87
Trade receivables and other receivables	7,342	6,332	13,450	19,627
Inventories	10,471	11,519	-	-
Investment securities	-	907	-	907
	22,337	**22,605**	**14,374**	**20,621**
Assets of disposal group classified as held for sale	11,294	11,208	-	-
Total current assets	**33,631**	**33,813**	**14,374**	**20,621**
Total assets	**80,342**	**80,164**	**15,532**	**21,785**
Current liabilities				
Trade payables and other payables	5,028	4,328	4,234	3,667
Contract liabilities	-	156	-	-
Other financial liabilities	38,942	39,962	-	-
Tax payable	213	99	-	-
	44,183	**44,545**	**4,234**	**3,667**
Liabilities directly associated with disposal group classified as held for sale	5,335	5,764	-	-
Total current liabilities	**49,518**	**50,309**	**4,234**	**3,667**
Non-current liability				
Other payables	172	172	-	-
Deferred tax liabilities	1,292	1,292	-	-
Other financial liabilities	2,620	3,418	-	-
Total non-current liabilities	**4,084**	**4,882**	**-**	**-**
Total liabilities	**53,602**	**55,191**	**4,234**	**3,667**
Equity attributable to owners of the Company				
Share capital	51,172	51,172	51,172	51,172
Treasury shares	(99)	(99)	(99)	(99)
Other reserves	5,994	4,684	(355)	(355)
Accumulated losses	(30,329)	(30,791)	(39,420)	(32,600)
Total equity attributable to owners of the parent	**26,738**	**24,966**	**11,298**	**18,118**
Non-controlling interests	2	-	-	-
Total equity	**26,740**	**24,973**	**11,298**	**18,119**
Total equity and liabilities	**80,342**	**80,164**	**15,532**	**21,785**

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

Amount repayable in one year or less, or on demand

As at 30/09/2020		As at 31/03/2020	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
38,942	-	39,962	-

Amount repayable after one year

As at 30/09/2020		As at 31/03/2020	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
2,620	-	3,418	-

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	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Operating activities:				
Profit/(loss) before income tax from continuing operations	3	200	539	(401)
Profit/(loss) before income tax from discontinuing operations	217	28	(34)	(5)
Profit/(loss) before income tax	**220**	**228**	**505**	**(406)**
Adjustments for:				
Depreciation	533	554	1,013	1,189
Amortization of intangibles	-	42	-	85
Fair value gain on quoted securities	(130)	-	(130)	-
Gain on disposal of property, plant and equipment and investment property	(22)	(56)	(54)	(56)
Interest income	(18)	(16)	(30)	(29)
Interest expenses	413	548	755	1,124
Share-based compensation	-	4	-	4
Bad debts written off	-	-	59	-
Foreign currency translation	(442)	(438)	624	(798)
Operating cash flows before working capital changes	**554**	**866**	**2,742**	**1,113**
Increase in receivables and prepaid operating expenses	(747)	327	930	(59)
Decrease/(Increase) in Inventories	1,732	356	(1,170)	1,233
Increase in payables	1,900	(950)	701	(1,491)
Cash flows generated from/(used in) operations	**3,439**	**599**	**3,203**	**796**
Interest income	18	16	30	29
Income tax paid	(25)	225	(50)	264
Net cash flows generated from/(used in) operating activities	**3,432**	**840**	**3,183**	**1,089**
Investing activities				
Purchase of property, plant and equipment	(114)	(192)	(117)	(232)
Subsequent expenditure on development property	-	-	-	(20)
Proceeds from divestment of quoted securities	-	-	1,036	-
Proceeds from disposal of property, plant and equipment and investment property	-	437	-	437
Net cash flows (used in)/generated from investing activities	**(114)**	**245**	**919**	**185**
Financing activities:				
Net repayment of financial liabilities	(1,986)	(1,028)	(2,241)	(274)
Interest paid, net	(413)	(548)	(755)	(1,124)
Net cash flows used in financing activities	**(2,399)**	**(1,576)**	**(2,996)**	**(1,398)**
Net (decrease)/increase in cash and cash equivalents	919	(491)	1,106	(124)
Cash and cash equivalents at beginning of period	353	(641)	166	(1,008)
Cash and cash equivalents as per statement of financial position	**1,272**	**(1,132)**	**1,272**	**(1,132)**

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
	30/09/2020	30/09/2019
Cash on hand and at bank	1,929	895
Fixed deposits	2,746	2,650
Cash and cash equivalents as per statement of financial position	**4,675**	**3,545**
Less: Fixed deposits pledged	(2,746)	(3,000)
Less: Bank overdraft	(657)	(1,677)
Cash and cash equivalents at end of period	**1,272**	**(1,132)**

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 2020	**51,172**	**(99)**	**5,578**	**(30,707)**	**25,944**	**(19)**	**25,925**
Profit for the period	-	-	416	378	792	21	813
Balance at 30 September 2020	**51,172**	**(99)**	**5,994**	**(30,329)**	**26,738**	**2**	**26,740**
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**

(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 – 2Q2021				
Balance at 1 July 2020	**51,172**	**(454)**	**(38,966)**	**11,752**
Loss for the period	-	-	(454)	(454)
Balance at 30 September 2020	**51,172**	**(454)**	**(39,420)**	**11,298**
Previous 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**

[(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 quarter ended 30 September 2019. The Company takes the view that the shares were improperly issued and/or subjected to be forfeited upon the former CEO's resignation. A substantial shareholder had obtained an injunction against the former CEO from exercising his rights to these shares. The Company had also commenced legal proceedings to forfeit the shares. Both the legal actions by the substantial shareholder and the Company had been ordered by the High Court to be combined into a single action by way of a single writ for further disposition. The Company will make the necessary announcements and updates in due course. The Company was informed by a law firm that it had, pursuant to certain court proceedings commenced by another substantial shareholder that it had obtained an undertaking from the former CEO's counsel that the said former CEO's will not exercise his rights over the shares and will not dispose of the shares.

Performance Shares

Except for the 7.4 million shares referred to above, there were no performance shares granted as at 30 September 2020 (30 September 2019: Nil).

Treasury Shares

As of 30 September 2020, the Company has 634,600 treasury shares (31 March 2020: 636,400) as of the end of the reported period.

Except for 4,252,920 shares registered in a third party's name where the ultimate beneficial interest in the shares belongs to the Company, none of the Company's subsidiaries hold any shares in the Company at the end of the period under review. At that material time, the Company had commenced legal action to recover the shares from the third party. Both the Company and the third party had resolved the matter amicably. The shares are in the process of being returned to the Company via their respective lawyers. The Company will make the necessary announcements and updates in due course.

The sum total of 634,600 plus 4,252,920 amounting to 4,887,520 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.

	30/09/2020	31/03/2020
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 (International) (SFRS(I)) 16 would impact the Group's financial statements but only to the extent of the amount reflected in Property, Plant and Equipment and long term liabilities but have no material impact on the net profit after tax and net assets.

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	
	30/09/2020	30/09/2019
(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	0.21	0.25
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	0.21	0.25
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	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	29.61	33.61	12.51	19.22
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 (2Q2020 VS 2Q2019)

Revenue

Revenue for 2Q2020 when compared with the same period in 2019 increased by 8% or about SGD0.7m to SGD9.5m. This was primarily attributed to the marine businesses. Gross margin decreased in the current reported quarter despite the increased in sales as in the corresponding quarter it records several government projects which usually command better margin.

Other Income/(expenses), net

Other income increases as compared to the previous reported period due to the receipt of government grants.

Selling and Distribution

Selling and distribution expenses decreased by about S$0.2 million due to the cost controlling measures which the Group has implemented.

General and Administrative

G&A expenses decreased by 17.4% from S$2.9 million in 2Q2020 to S$2.4 million in the current reported period. One of the reasons for the reduction is due to the reduce in manpower and the group implementation of a pay cut measures as announced in June 2020.

Finance Costs

Finance cost decreased to S$0.3 million in 2Q2021 (2Q2020: S$0.5 million) from lower effective borrowing rates and lower borrowings during the reported quarter.

Profit After Tax

Despite the COVID adverse impact on the global economy, the group reported a profit after tax of S$0.2 million which is a slight increased as compared to the corresponding period. This is largely due to the cost measures implemented by the Group taking effect.

REVIEW OF FINANCIAL POSITION AND CASH FLOW STATEMENT

Current Assets

Cash increased by S$0.7m partly due to the cash exit offer by its investee.

Current Liabilities

Overall current liabilities decreased by about S$0.8 million mainly due to the repayment of its borrowings and setoff by the increased in the trade and other payables.

Cash Flow

For the period ended 30 September 2020, the Group generated about S$3 million and S$1million of cash flow from its operating and investing activities respectively. This was set off against the repayment of its borrowings amounting to about S$3 million. As of the end of the reported period, the Group has available cash of S$1.2 million.

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 1H2021, our Marine business will continue to be our revenue driver for the second half.

Recycling of waste oil

As previously announced, the process of disposing this business is currently underway. The Company is currently pending the review of its circular on the proposed disposal by SGX and will keep the shareholders updated as and when there are material developments.

Property

The Group has successfully completed the return of 16 Joo Koon Circle to JTC on 29 October 2020. The return proceeds has been used fully to pay off the group's borrowings.

Breach of loan covenants

The Company is in breach of certain bank covenants for failing to maintain Group tangible net worth at SGD30m at all times. The Company is currently still in the process of negotiating with its principal banker to accommodate the breach on a one-off basis for the FYE 2020.

Current litigations

Listed below is the current list of litigations that the Company is currently having.

Wherein the Company is a Plaintiff.

1.	HC/S116/2020	Return of 7.4 million shares by Dr Lim
2.	HC/S328/2020	Claim in relation to Koon Cheng Development
3.	DC1363/2020	Claim for breach of fiduciary duties and unlawful assistance

Wherein the Company is a Defendant.

1.	HC/S115/2020	In relation to 2019 AGM
2.	HC/CWU108/2020	Winding up proceedings
3.	HC/S612/2020	Claim by Ricky for conspiracy to injure

In event of an unsuccessful outcome being ruled against the Group arising from the above legal suits, there will be financial impact on the Group. As the legal suits are still ongoing, quantification of the financial impact is not available at this point in time.

Despite the current global challenging economic landscape, the Group will continue to focus on cost controlling measures, cash conservation so as to ensure sustainability of its operating businesses. At the same time, the Group continues to review and actively explore new opportunities for growth in the current economic market attributable by the COVID pandemic.

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 2020 as the Company has accumulated losses as of 30 September 2020.

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 2020 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Tanoto Sau Ian
Executive Director
13 November 2020