

USP Group Limited

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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2015

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.

The Board of Directors (the “**Board**”) hereby announces the results of the Group for the 1st quarter ended 30 June 2015 following a change in financial year end as announced on 28 November 2014. These figures have not been audited.

Prior to 1 December 2014, the Company’s functional currency was United States dollar (US\$) and the Company presented its financial statements in US\$. Following Management’s assessment of appropriate functional currency of the Company and its subsidiaries during the period, the Group changed its functional currency to Singapore dollar (S\$) as it is more reflective of the underlying transactions, events and conditions relevant to the Group. In line with the change in functional currency, the presentation currency of the Group was changed from US\$ to S\$. The comparative information has been translated from the US\$ to S\$ based on exchange rate of US\$1: S\$1.3025.

1(a)(i) Group Consolidated Statement of Comprehensive Income

	Group		
	Unaudited	Audited	
	3 months ended		
	30/06/2015	28/02/2014	Increase/ (Decrease)
	S\$'000	(*Re-presented) S\$'000	%
<u>Continuing operations</u>			
Revenue	835	-	100.0
Cost of Sales	(237)	-	100.0
Gross Profit	598	-	100.0
Other (expenses)/income, net	(6,847)	46	N.M.
Selling and distribution expenses	(100)	-	100.0
General and administrative expenses	(870)	(530)	61.9
Share of results of associate	(336)	-	100.0
Loss before tax from continuing operations	(7,555)	(484)	N.M.
Income tax	-	-	
Loss after tax from continuing operations	(7,555)	(484)	N.M.
<u>Discontinued operations</u>			
Loss from discontinued operations, net of tax	-	(488)	N.M.
Loss for the period	(7,555)	(972)	N.M.
Other comprehensive income:			
Foreign currency translation	-	(307)	N.M.
Total comprehensive income for the period	(7,555)	(1,279)	N.M.

1(a)(i) Group Consolidated Statement of Comprehensive Income (Cont'd)

	Group		
	Unaudited	Audited	
	3 months ended		
	30/06/2015	28/02/2014	Increase/ (Decrease)
	S\$'000	(*Re-presented) S\$'000	%
Loss for the period attributable to:			
Owners of the Company:			
Loss after tax from continuing operations	(7,551)	(484)	N.M.
Loss from discontinued, net of tax	-	(488)	N.M.
Loss attributable to owners of the Company	(7,551)	(972)	N.M.
Non-controlling interests:			
Loss after tax from continuing operations	(4)	-	N.M.
Loss from discontinued operations, net of tax	-	-	
Loss attributable to non-controlling interests	(4)	-	N.M.
Total comprehensive income attributable to:			
Owners of the Company	(7,551)	(1,279)	N.M.
Non-controlling interests	(4)	-	
Total comprehensive income for the period	(7,555)	(1,279)	N.M.
Attributable to owners of the Company			
Total comprehensive income from continuing operations, net of tax	(7,551)	(791)	N.M.
Total comprehensive income from discontinued operation, net of tax	-	(488)	N.M.
Total comprehensive income attributable to owners of the Company	(7,551)	(1,279)	N.M.
EBITDA from continuing operations, excluding extraordinary losses	(634)	(484)	28.5

*Figures were re-presented due to change of the Company's functional currency and discontinued operations.

1(a)(ii) Notes to Group Consolidated Statement of Comprehensive Income

Loss from ordinary activities is stated after charging/(crediting):

	Group	
	S\$'000	
	Unaudited	Audited
	3 months ended	
	30/06/2015	28/02/2014
<u>Continuing operations</u>		
Depreciation	187	7
Depreciation of development expenses	7	-
Interest expenses	18	-
Professional fees	144	160
Rental expenses	138	44
Staff costs	335	218
<u>Discontinued operations</u>		
Amortization of land use rights	-	5
Depreciation	-	50
Professional fees	-	33
Rental expenses	-	40
Staff costs	-	204

Breakdown of other (expenses)/income, net

	Group	
	S\$'000	
	Unaudited	Audited
	3 months ended	
	30/06/2015	28/02/2014
Fair value adjustments on marketable securities	(6,688)	-
Exchange loss, net	(303)	
Interest income	-	35
Others	144	11
	(6,847)	46

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
	30/06/2015	31/03/2015	30/06/2015	31/03/2015
Non-current assets				
Property, plant and equipment	17,496	17,590	128	132
Investments in subsidiaries	-	-	1,358	1,358
Investments in associated company	5,414	-	-	-
	22,910	17,590	1,486	1,490
Current assets				
Cash and short-term deposits	6,347	16,235	4,637	11,882
Marketable securities	2,497	8,751	2,497	8,751
Trade receivables	358	699	-	-
Other receivables and prepayments	10,587	8,985	29,737	23,040
Inventories	21	20	-	-
Development property	3,207	3,194	-	-
	23,017	37,884	36,871	43,673
Current liabilities				
Trade payables	292	367	-	-
Other payables	1,550	1,696	57	116
Deferred rent payable	283	283		
Finance lease liabilities	22	31	-	-
Loan and borrowings	2,464	2,649	-	-
	4,611	5,026	57	116
Net current assets	18,406	32,858	36,814	43,557
Non-current liability				
Loan and borrowings	-	2,464	-	-
Net assets	41,316	47,984	38,301	45,047
Equity attributable to owners of the Company				
Share capital	46,328	46,328	46,328	46,328
Treasury shares	(254)	(1,021)	(254)	(1,021)
Other reserves	2,413	2,413	-	-
Accumulated losses	(7,785)	(234)	(7,774)	(260)
	40,702	47,486	38,300	45,047
Non-controlling interests	614	498	-	-
Total equity	41,316	47,984	38,300	45,047

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

Amount repayable in one year or less, or on demand

As at 30/06/2015		As at 31/03/2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,464	-	2,649	-

Amount repayable after one year

As at 30/06/2015		As at 31/03/2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	2,464	-

Details of any collateral

The Group's borrowings are secured by properties held by the Group.

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	Audited
	3 months ended	
	30/06/2015	28/02/2014
Operating activities:		
Loss before tax	(7,555)	(879)
Adjustments for:		
Depreciation of property, plant and equipment	194	64
Amortization of land use rights	-	5
Fair value loss on marketable securities	6,688	-
Interest income	-	(38)
Reversal of inventories write-down, net	-	(1)
Unrealised exchange loss/(gain), net	126	(8)
Share of result of associate	336	-
Foreign currency translation	-	(27)
Operating cash flows before working capital changes	(211)	(884)
Trade receivables	341	690
Other receivables and prepayments	(1,602)	(1,111)
Inventories	(1)	214
Trade payables	(75)	(59)
Other payables	(146)	(948)
Cash flows used in operations	(1,694)	(2,098)
Income tax paid	-	(82)
Interest received	-	38
Net cash flows used in operating activities	(1,694)	(2,142)
Investing activities		
Purchase of property, plant and equipment	(107)	(454)
Subsequent expenditure on development property	(13)	-
Sales proceed of property, plant and equipment	-	4
Cash outflow on investment in associate	(1,500)	-
Purchase of marketable securities	(433)	-
Net cash flows used in investing activities	(2,053)	(450)
Financing activities:		
Repayment of loans and borrowings	(2,649)	-
Repayment of finance lease liabilities	(9)	-
Purchase of treasury shares	(3,483)	-
	(6,141)	-
Net decrease in cash and cash equivalents	(9,888)	(2,592)
Effect of exchange rate changes on cash and cash equivalents	-	(197)
Cash and cash equivalents at beginning of period	16,235	41,249
Cash and cash equivalents at end of period	6,347	38,460

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	Statutory reserve	Accumulated losses	Discount on purchase of NCI's shares	Foreign currency translation 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	S\$'000	S\$'000
Current year – 1Q2016									
Balance at 1 April 2015	46,328	(1,021)	-	(234)	2,413	-	47,486	498	47,984
Total comprehensive loss for the period	-	-	-	(7,551)	-	-	(7,551)	(4)	(7,555)
Purchase of treasury shares	-	(3,483)	-	-	-	-	(3,483)	-	(3,483)
Treasury shares reissued pursuant to acquisition of an associate	-	4,250	-	-	-	-	4,250	-	4,250
Subscription of shares by a non-controlling interest	-	-	-	-	-	-	-	120	120
Balance at 30 June 2015	46,328	(254)	-	(7,785)	2,413	-	40,702	614	41,316
Previous year – 1Q2015									
Balance at 1 December 2013	42,714	-	2,899	(5,656)	-	5,266	45,223	-	45,223
Loss for the period	-	-	-	(972)	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	(307)	(307)	-	(307)
Total comprehensive income for the year	-	-	-	(972)	-	(307)	(1,279)	-	(1,279)
Balance at 28 February 2014	42,714	-	2,899	(6,628)	-	4,959	43,944	-	43,944

Company	Share capital	Treasury shares	Accumulated losses	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000
Current year – 1Q2016				
Balance at 1 April 2015	46,328	(1,022)	(260)	45,046
Total comprehensive loss for the period	-	-	(7,514)	(7,514)
Purchase of treasury shares	-	(3,482)	-	(3,482)
Treasury shares reissued pursuant to acquisition of an associate	-	4,250	-	4,250
Balance at 30 June 2015	46,328	(254)	(7,774)	38,300
Previous year – 1Q2015				
Balance at 1 December 2013	42,714	-	(8,613)	34,101
Loss for the period	-	-	(6,268)	(6,268)
Total comprehensive income for the period	-	-	(6,268)	(6,268)
Balance at 31 March 2015	42,714	-	(14,881)	27,833

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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

The Company has obtained its shareholders' approval on the renewal of share purchase mandate at its Annual General Meeting held on 31 July 2015.

For the 3 months ended 30 June 2015, the Company bought 40,353,600 (1Q 2014: NIL) shares and held them as treasury shares. As at 30 June 2015, the Company has 14,793,000 treasury shares (See 1(d)(iv)).

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.

	30/06/2015	31/03/2015
Total number of issued ordinary shares excluding treasury shares	655,327,238	653,180,838

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Pursuant to the Company's announcement on 11 May 2015, the Company had transferred 42,500,000 treasury shares from its share buyback account, being purchase consideration for the acquisition of 49% of the entire issued and paid-up share capital of SG Support Service Pte. Ltd. as announced on 16 January 2015 and 30 April 2015

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 Group has adopted all the new/revised Singapore Financial Reporting Standards ("new/revised FRSs") that became effective on or after 1 December 2013. Except for the adoption of these new/revised FRSs, the Group has consistently adopted the same accounting policies and methods of computations as stated in the audited financial statements of the Group for the financial period ended 31 March 2015.

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. **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	
	30/06/2015	28/02/2014
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	(1.14)	(0.16)
Weighted average number of ordinary shares for basic losses per share computation	655,327,238	613,553,995
(b) On a fully diluted basis	(1.14)	(0.16)
Weighted average number of ordinary shares adjusted for the effect for dilution	655,327,238	613,553,995

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	
	30/06/2015	31/03/2015	30/06/2015	31/03/2015
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in SGD cents):	6.30	7.27	5.84	6.90
No. of ordinary shares used in computing net asset value	655,327,238	653,180,838	655,327,238	653,180,838

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 (1Q2016 VS 1Q2015)

Revenue

The Group's subsidiary, Biofuel Research Pte Ltd's ("Biofuel") oil business was the main revenue contributor for the current quarter, accounting for close to 70% of the Group's revenue. There is no comparative information as the acquisition of Biofuel was completed in October 2014. Prior to this, the Group was involved in the trading of minerals which had been disposed in November 2014.

Other expenses/income

A loss was recorded for current quarter due to the decline in share price of Huan Hsin Holdings Limited ("Huan Hsin"), a SGX mainboard listed company of which the Group has a significant holding of 16.2%. As at 30 June 2015, the share price of Huan Hsin fell to 3.2 cents causing the Group a net paper loss of S\$6.6 million. The share price of Huan Hsin has since recovered to 4.0 cents as at 11 August 2015. Despite the loss, the Group strongly believes there could be a potential capital gain as it believes Huan Hsin is undervalued as most of its property assets are recorded at cost.

Operating Expenses

Selling and distribution expenses are largely due to Biofuel. General and administrative expenses increased by 61.9% compared to 1Q2015 were mainly attributable to Biofuel.

Loss After Tax

As a result of the above, the Group reported a loss after tax of S\$7.56 million. On completion of the recent acquisition of SG Support Service Pte Ltd ("SGSS") on 11 May 2015, the current reported quarter results have also taken its share of SGSS's loss.

EBITDA from continuing operations, excluding losses

Saved for the losses on marketable securities, the Group has an EBITDA of S\$0.6 million. Biofuel, the Group's principal subsidiary has a positive EBITDA of S\$163,000 for the reported quarter. The Group has expansion plans for its oil business which Management is confident that the Group's oil business will contribute to the revenue positively for the current financial year ending 31 March 2016.

REVIEW OF FINANCIAL POSITION (1Q2016 VS FYE2015)

Non-Current Assets

The Group acquired 49% of SGSS for S\$5.75 million in May 2015, and the consideration was satisfied by S\$1.5 million cash and the remaining S\$4.25 million was through the transfer of 42.5 million treasury shares to the vendor (as defined in the Company's announcement dated 16 January 2015).

Current Assets

Cash and short term deposits reduced to S\$6.3 million (FYE 31.03.2015: S\$16.2 million) largely due to the acquisition of SGSS (S\$1.5 million), the repayment of Biofuel's construction loan with Hong Leong Finance (S\$2.65 million), the Company's share buyback exercise (S\$4.5 million). Trade receivables for the Group decreased to S\$0.3 million as at 1Q2016 from S\$0.7 million due to the repayment by the key debtor of USP Industrial Pte Ltd.

The increase in the Group's other receivables and prepayments were mainly due to an advance payment by USP Oil Pte. Ltd. for its oil trading business and a deposit of S\$1.3 million made by the Company on behalf of Biofuel to the Singapore High Court with respect to its lawsuit with its former Managing Director who was also a shareholder of Biofuel.

Current Liabilities

The reduction in loan and borrowings was due to the repayment by the Company on behalf of Biofuel on the redemption of Biofuel's construction loan.

Cash Flow (1Q2016 VS 1Q2015)

Group cash decreased to S\$6.3 million as at 30 June 2015 partly because of:

- a. the investments in SGSS and Biofuel (\$5.1 million);
- b. repayment of bank loans and Biofuel's shareholder loans (S\$5.0 million);
- c. investment in plant and equipment in the oil business (S\$14.0 million);
- d. investment in 71 Blandford (S\$0.6 million);
- e. investments in quoted securities (S\$3.2 million); and
- f. the Company's share buy-back exercise (S\$4.5 million).

Nevertheless, the Group has a healthy cash position.

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.

As previously announced, the Group will continue actively to pursue opportunities to expand its business into the property development and oil blending and distribution.

Oil business

Further to the completion of the acquisition of SGSS on 11 May 2015, the Group has started its first oil trading business in July 2015, which is expected to be one of the revenue contributors.

Property Development business

The Group is currently in the midst of applying for a demolition permit from Building Construction Authority ("BCA") for its Blandford Property and demolition works are expected to be completed by end August 2015. The Group is currently reviewing other potential projects and would update the shareholders when appropriate.

Updates on winding Up Application Against Biofuel Research Pte Ltd

The Group had on 22 May 2015 announced that a former director (the "Claimant") of the Company's subsidiary, Biofuel Research Pte Ltd ("Biofuel"), (who was also a shareholder of Biofuel and the former Managing Director) had filed a winding up application with the Singapore High Court (the "Court") against Biofuel (the "Application"). The Application relates to a claim arising from an alleged director's loan made by the Claimant to Biofuel before the Company became a shareholder of Biofuel. The total sum claimed against Biofuel pursuant to the Application is S\$1.37 million (the "Claim"). Biofuel opposed the Application as, *inter alia*, Biofuel disputed the Claim. In addition, on 20 May 2015, Biofuel commenced separate legal proceedings against the Claimant for various breaches of his duties whilst he was a director and the Managing Director of Biofuel.

The Application was heard on 12 June 2015. Biofuel opposed the Application as, *inter alia*, Biofuel disputed the Claim. After hearing parties, the Court granted a conditional order allowing the dismissal of the Application subject to Biofuel making payment into Court to secure the Claim within 3 weeks. In accordance with the Court order, Biofuel made payment into Court on 22 June 2015.

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/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 30 June 2015.

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. 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 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Li Hua
Executive Chairman/CEO
12 August 2015