USP GROUP LIMITED
(Incorporated in Singapore)
(Company Registration No: 200409104W)

Response to SGX's Queries on the Company's announcement dated 12 June 2020

The Board of Directors ("**Directors**") of USP Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the following in response to the queries raised by Singapore Exchange Securities Trading Limited (the "SGX-ST") to the Company in relation to the Writs of Summons and Statement of Claim announced on 12 June 2020.

1. On 9 June 2020, the Company had through its solicitors, Fortis Law Corporation, commenced legal proceedings against ("**the Claim**") the following individuals:

   a. the Company's former director, Yin Kum Choy ("**Yin**"); and
   b. one of the Company's significant shareholder, Oon Koon Cheng ("**Oon**").

   (collectively referred as "**the Defendants**")

(i) Events leading up to the Claim

2. On 30 September 2019, shareholders led by Oon replaced the former Board, with their own Board ("**Yin's Board**") at the Company's AGM. The directors of Yin's Board were all nominated by Oon except for one. Yin was the Executive Director and led Yin's Board.

3. Yin's Board took control of the management of the Company and purported to help the Company and its various businesses through a series of actions which led to the Claim and other related ones.

4. Prior to the nomination of Yin's Board, on or about 7 August 2019, the Company and its subsidiary (collectively referred as "**the Group**") entered into a sale and purchase agreement ("**SPA**") with a buyer ("**Buyer**") to sell the shares of its subsidiary, Biofuel Research Pte Ltd ("**Biofuel**"). A deposit payment of $1.5 million ("**the Deposit**") was paid by the Buyer to the Company when the SPA was signed.

5. On 10 December 2019, in a Board Meeting led by Yin and physically attended by Oon, the Board decreed in its Resolution ("**the Board Resolution**") that they had received the support of Oon for an interest free loan of $1.5 million ("**the loan**"). As such, they would terminate the SPA and use the loan to repay the Deposit. In addition, they would use the Company's funds to pay the Buyer an agreed break fee of $100,000 ("**the break fee**").

6. To the best of the Group's knowledge, Yin proposed to the Board to pay Oon an interest of 4% per annum for the loan the following day. On 12 December 2019, Yin made an SGX announcement using the above stated facts ("**the Public Announcement**").

7. With the loan from Oon, the SPA was subsequently terminated and the deposit of $1.5 million was refunded to the Buyer together with the break fee.

8. The claim against the Defendants is for (i) Yin's breach of common law, statutory and fiduciary duties owed to the Group; (ii) Oon's dishonest assistance or knowing assistance; and (iii) conspiring to injure the Group by unlawful means.

(ii) Claim for Breach of Fiduciary duties

Termination of SPA

9. By leading the Board to terminate the SPA, Yin had deliberately ignored, or had failed to consider the financial position and cash flow of the Group prior to the termination of the SPA. By causing the Group to pay the break fee, Yin had aggravated the financial distress experienced by the Group and its subsidiary, Biofuel.

10. Yin persuaded the Board to accept the termination of the SPA on the premise that Oon would support the termination by providing an interest-free loan of $1.5 million ("**the loan**"), yet subsequently altered his position by persuading the Board to pay Oon interest for the loan.

11. The loan was structured in a manner such that any change to Yin's Board would cause the loan and its interest to be immediately payable to Oon. This was not disclosed to the shareholders and the public in the Public Announcement.

Unlawfully backdating the date of the Board Resolution and Loan Agreement

12. Despite the Board Resolution on 10 December 2019, Yin had secured another Board resolution on 17 December 2019 from these members of the board, and backdated it to 7 December 2019.

13. Yin also backdated the loan agreement for the loan to 7 December 2019 despite the fact that he had signed the loan agreement with Oon ("**the Loan Agreement**") on or after 17 December 2019.

14. To the best of the Group's knowledge, the details of the Loan Agreement was only finalised on 17 December 2019.

15. The falsifying of the dates of the Board Resolution and Loan Agreement was uncovered by the current Board.

Breach of Rule 917 of SGX Mainboard Rules - Discrepancies between the Loan Agreement and the Public Announcement

16. The Public Announcement made by Yin on 12 December 2019 was in breach of Rule 917 of SGX Mainboard Rules. The details of the Loan Agreement, including Clause 5 of the Loan Agreement which stipulated that the said loan would be payable forthwith should there be a change of the Company's Board of Directors, and the statement from the Company's Audit Committee regarding the matter, were omitted in the Public Announcement.

The issuance of Statutory Demand and commencement of Winding-Up proceedings against the Company

17. On 20 February 2020, the Board was replaced by the current Board led by Tanoto Sau Ian. On 25 February 2020, Yin resigned. Immediately a day later, a Statutory Demand ("**the Statutory Demand**") was served by Oon's lawyers on the Company, and this was subsequently followed by an application to wind up the Company, for the repayment of the loan.

18. The Statutory Demand was issued pursuant to Clause 5 of the Loan Agreement that four of the incumbent directors of Yin's Board were removed.

19. The Company commenced originating summons application to set aside the Statutory Demand on 16 March 2020.

20. Oon subsequently commenced winding up proceedings against the Company based on the Statutory Demand on 3 April 2020.

(iii) Claim against Oon for dishonest assistance or knowing assistance

21. Oon had acted dishonestly in assisting Yin in each of Yin's breaches of fiduciary duties described above.

22. Oon must have known that the termination of the SPA would have provided no benefit whatsoever to the Group and the shareholders and would have in fact placed the Group under further financial distress by requiring the Group to pay the break fee to the Buyer.

23. Oon must have also known that the termination of the SPA would have deprived the Group of funds of up to $4 million for its operations, and that the Company would become reliant on him for the repayment of the Deposit.

24. Oon had further advised Yin to take a loan of $1.5 million from Oon at an interest of 4% per annum and backdated the Loan Agreement to 7 December 2019.

(iv) Claim against Yin and Oon for unlawful means conspiracy

25. The grounds for this claim under unlawful means conspiracy are based essentially on the facts described in the passages above.

(v) The damages claimed against the Defendants

26. The Group is claiming for, amongst others, the following reliefs:

a. The sum of $100,000 (being the break fee);

b. Legal fees incurred by the Company to set aside the statutory demand and winding-up proceedings against the Company;

c. An estimated sum of about $30,226.51 being the interest paid to Oon for the loan;

d. Such other sum as the Court thinks fit;

e. Alternatively, damages to be assessed by the Court.

(vi) <u>Service of Writ of Summons and Statement of Claim (collectively referred as "the Writ") on the Defendants</u>

27. On 9 June 2020, the Writ against the Defendants was filed in the State Courts.

28. On 17 June 2020, the Writ was served on the Defendant's lawyers. The Defendants have yet to file their Defence (and/or Counterclaim), which will be due on 6 July 2020.

(viii) <u>Other cases between the Company and the Defendants</u>

29. Apart from this matter, the following are other cases between the Group and the Defendants:

a. **HC/S328/2020** – Legal proceedings commenced by the Group against Oon and his company, Sin Hong Hwa Pte Ltd ("**SHH**") , for fraudulent misrepresentation, failure to perform condition precedents and/or conspiracy by unlawful means in the sale of the shares of Koon Cheng Development Pte Ltd ("**KCD**") to the Company. The Company paid Oon and SHH an amount of $32 million for the purchase of the shares of KCD. The Company is claiming damages against Oon and his company.

b. **HC/OS317/2020** – An application by the Company to set aside the Statutory Demand served by Oon against the Company.

c. **HC/CWU108/2020** – Winding-up proceedings commenced by Oon against the Company for the loan.

The Company will make further announcements as appropriate to update shareholders accordingly when there are further material developments in the said matter.

Shareholders and potential investors are advised to exercise caution in trading their shares.

For and on behalf of USP Group Limited

Tanoto Sau Ian
Executive Director and Chief Executive Officer
22 June 2020