USP GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200409104W)

PROPOSED PLACEMENT OF 15,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF USP GROUP LIMITED AT AN ISSUE PRICE OF S$0.08 FOR EACH SHARE

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1. INTRODUCTION

The board of directors ("**Board**" or "**Directors**") of USP Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce that the Company had, on 23 January 2019, entered into a subscription agreement ("**Subscription Agreement**") with mDR Limited (the "**Subscriber**"), pursuant to which the Subscriber agreed to subscribe for, and the Company agreed to allot and issue to the Subscriber, an aggregate of 15,000,000 new ordinary shares in the capital of the Company ("**New Shares**") at an issue price of S$0.08 per New Share ("**Issue Price**"), on the terms and subject to the conditions of the Subscription Agreement ("**Placement**"). The aggregate consideration payable by the Subscriber for the subscription of the New Shares is S$1.2 million ("**Placement Consideration**").

There is no placement agent appointed for the Placement. The New Shares will be issued and/or granted under Section 272B of the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**"). As such, no prospectus, offer document or offer information statement will be lodged with the Monetary Authority of Singapore in connection with the Placement.

2. THE PLACEMENT

2.1 The New Shares will be allotted and issued to, and subscribed and paid for, by the Subscriber as follows:

Name of Subscriber	**Number of New Shares**	**Placement Consideration**	**As a percentage of enlarged share capital of the Company[(1)]**
mDR Limited	15,000,000	S$1.2 million	14.25%

Note:

(1) Based on the enlarged share capital of the Company of 105,287,403 ordinary shares in the capital of the Company ("**Shares**") (excluding treasury shares) after the allotment and issuee of the 15,000,000 New Shares.

The Subscriber is a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and is principally engaged in the businesses of (a) distribution and retail of, and providing after-market services for, mobile phones and various consumer electronics products; and (b) investments.

The Company was introduced to the Placee through an introducer, Tardis Capital (Singapore) Private Limited, a corporate financial advisory firm incorporated in Singapore, with a referral fee of 1% of the Placement Consideration. The Subscriber wished to be a strategic investor in the Company and agreed to subscribe for the Placement Shares as part of their business strategy to invest into quoted securities.

Pursuant to Rule 803 of the listing manual of the SGX-ST ("**Listing Manual**"), the Company has confirmed that it would not, pursuant to the Placement, issue the New Shares to transfer a controlling interest in the Company without prior approval of shareholders ("**Shareholders**") in general meeting. The Company has confirmed that the Subscriber is not currently a shareholder of the Company nor any person who falls within the categories set out in Rule 812(1) of the Listing Manual.

2.2 Issue Price

The Issue Price of S$0.08 represents a premium of approximately 14.29% to the volume weighted average price ("**VWAP**") of S$ $0.07 per Share, based on trades done on the SGX-ST on 22 January 2019, being the last full market day on which the Shares were traded prior to the date on which the Subscription Agreement was entered into. The Issue Price was agreed upon based on arm's length negotiations between the Subscriber and the Company, taking into account, among others, the VWAP of the Shares quoted on the SGX-ST on 22 January 2019.

2.3 New Shares

The New Shares will be allotted and issued pursuant to the general share issue mandate ("**General Mandate**") granted by the Shareholders to the Directors pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore ("**Companies Act**") and Rule 806(2) of the,Listing Manual as approved by way of an ordinary resolution passed at the annual general meeting of the Company on 31 July 2018 ("**AGM**").

As at the date of the AGM, the issued and paid-up share capital of the Company (excluding treasury shares) (the "**Previous Share Capital**") comprised 90,287,403 Shares. According to the terms of the General Mandate, the aggregate number of Shares to be issued other than on a pro-rata basis to existing Shareholders shall not exceed 18,057,480, being 20% of such Previous Share Capital.

No shares were previously issued under the General Mandate prior to the Placement and as such, the allotment and issue of the New Shares is within the limit of the General Mandate.

The New Shares represent approximately 16.61% of the Company's issued and paid-up share capital of 90,287,403 Shares (excluding treasury Shares) as at the date of this announcement, and approximately 14.25% of the enlarged share capital of 105,287,403 Shares (excluding treasury Shares) after the allotment and issuance of the New Shares. As at the date of this announcement, the Company has 634,600 Shares held as treasury Shares. The Company has no existing warrants or other convertible instruments.

The New Shares will be delivered fully paid-up and free from all encumbrances and shall rank in all respects *pari passu* with all existing Shares as at the date of issue of the New Shares except that the New Shares will not be entitled to any dividend, right, allotment or other distribution accruing the record date of which falls before the date of issue of the New Shares.

3. SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

The completion of the Placement is conditional upon the following ("**Conditions**"):

(a) the Company obtaining the approval-in-principle from the SGX-ST for the listing and quotation of the New Shares on the Mainboard of the SGX-ST, and delivery by the Company to the Subscriber of such notice on or prior to 15 February 2019;

(b) the Placement not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to any party;

(c) there being no breach of any representations and warranties by the Subscriber, and undertakings required to be performed or caused to be performed by the Subscriber under the Subscription Agreement;

(d) the Subscriber completing a due diligence exercise on the business of the Company ("**Company Business**") and the Group, at the Subscriber's own cost and expense, and the results of such due diligence exercise being satisfactory to the Subscriber,

acting reasonably, including, without limitation, the Subscriber being satisfied of the Company Business, the Group's business, financial condition and that all material approvals, consents, licences, permits, waivers and exemptions (including any governmental, regulatory and/or corporate approvals and consents) required for the Company Business, have been obtained, remain valid and will remain in full force and effect as at completion and not withdrawn or amended; and

(e) all necessary approvals and consents as may be required from and registration with any third party, governmental or regulatory body or relevant competent authority having jurisdiction over the transactions contemplated by the Subscription Agreement or to the entry into and completion of the Subscription Agreement by the Parties (including any approval by Shareholders in general meeting, to the extent required whether by the SGX-ST or otherwise), being obtained and in full force and effect and not having been withdrawn, suspended, amended or revoked as at completion, and if such approvals, consents or registrations are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Company and the Subscriber.

The Company will make an application to the SGX-ST for the dealing in, listing of and quotation for the New Shares on the Mainboard of the SGX-ST. The Company will make the necessary announcement upon receipt of the approval-in-principle from the SGX-ST.

4. RATIONALE FOR THE PLACEMENT AND USE OF PROCEEDS

4.1 The estimated net proceeds from the Placement due to the Company, after deducting expenses incurred in connection with the Placement, is expected to amount to approximately S$1.17 million ("**Net Proceeds**").

4.2 The Company has decided to undertake the Placement in order to increase resources available to the Company. The Company intends to use the Net Proceeds for general working capital purposes.

4.3 The Company will make periodic announcements as and when the Net Proceeds are materially disbursed and whether such use is in accordance with the stated use. The Company will also provide a status report on the use of the Net Proceeds in the Company's interim and full year financial statements and the Company's annual report. The Company will provide a breakdown with specific details on how the Net Proceeds have been applied in the announcements and the status report. Where there is any material deviation from the stated use of Net Proceeds, the Company will announce the reasons for such deviation.

4.4 Pending the deployment of the Net Proceeds, such proceeds may be placed as short term deposits with financial institutions and/or invested in short term money markets or debt instruments or for any other purposes on a short term basis as the Directors may in their absolute discretion deem fit, from time to time.

5. FINANCIAL EFFECTS OF THE PLACEMENT

5.1 The pro forma financial effects of the Placement are presented solely for illustrative purposes and are not intended to be indicative or reflective of the actual future financial situation of the Company and the Group after the completion of the Placement.

5.2 The *pro forma* financial effects of the Placement have been computed based on the unaudited consolidated financial statements of the Group for the financial period ended 30 September 2018 ("**HY2018**"). The financial effects of the Placement are based on the following assumptions:

(i) the financial effect on the consolidated net asset value ("**NAV**") per Share is computed based on the assumption that the Placement was completed on 30 September 2018;

(ii) the financial effect on the loss per share ("**LPS**") is computed based on the assumption that the Placement was completed on 1 April 2018; and

(iii) the expenses incurred in connection with the Placement amounted to approximately S$0.03 million.

Share capital and NAV per Share

	Before the Placement	**After the Placement**
Number of Shares (excluding treasury Shares) as at 30 September 2018	90,287,403	105,287,403
Share capital (S$'000)	50,913	52,113
Treasury shares (S$'000)	99	99
NAV attributable to Shareholders (S$'000)	49,749	50,949
NAV per Share (cents)	55.10	48.39

Loss per Share

	Before the Placement	**After the Placement**
Net (loss) attributable to Shareholders in HY2018 (S$'000)	(858)	(858)
Weighted average number of Shares	90,287,403	105,287,403
LPS (cents)	(0.95)	(0.81)

5.3 The financial effects of the Placement on the Group are for illustrative purposes only and are, therefore, not indicative of the actual financial performance or position of the Group after the completion of the Placement.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors and their respective associates, and to the best of the Directors' knowledge, none of the substantial shareholders of the Company, as well as their respective associates, has any interest, whether direct or indirect, in the Placement (other than arising from their shareholdings in the Company, if any).

7. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Subscription Agreement is available for inspection during normal business hours from 9 a.m. to 5 p.m. at the registered office of the Company at 38 Beach Road, #29-11 South Beach Tower, Singapore 189767 for a period of three (3) months commencing from the date of this announcement.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true

disclosure of all material facts about the Placement, the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

9. TRADING CAUTION

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. The Placement is subject to conditions. There is no certainty or assurance as at the date of the Announcement that the Placement will be settled or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further material developments to the Placement. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company that may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Nah Ee Ling
Executive Director
23 January 2019