**USP GROUP LIMITED**
(Company Registration No.: 200409104W)
(Incorporated in the Republic of Singapore)
(the "**Company**", with its subsidiaries, the "**Group**")

---

**TRANSACTION IN THE ORDINARY COURSE OF THE GROUP'S BUSINESS – PROPOSED JOINT DEVELOPMENT OF TWO STRATA BUNGALOWS IN PONGGOL**

---

## 1. INTRODUCTION

USP Group Limited Ltd (the "**Company**") wishes to announce that its subsidiary, USP Properties Pte Ltd ("**USPP**"), has on 8 February 2017 entered into Conditional Agreements (the "**Agreements**") for the joint development and sale of two strata bungalows at Ponggol Seventeenth Avenue, Singapore (the "**Project**") with Gadius Assets Pte Ltd ("**Gadius**"), where USPP will finance up to S$3,200,000 of the development costs subject to the terms and conditions within.

## 2. INFORMATION AND RATIONALE FOR THE PROPOSED TRANSACTION

### 2.1. Information on Proposed Transaction

Gadius is a private company limited by shares incorporated in Singapore on 24 December 2015. Gadius has a total issued and paid-up ordinary share capital of S$500,000 comprising 500,000 shares.

Gadius is a special purpose vehicle set up to undertake properties development specifically for the Project. Gadius has purchased Ponggol Seventeenth Avenue Lot-242 and Ponggol Seventeenth Avenue Lot-243 from LKN Development Pte Ltd (UEN: 198404252M), a company incorporated in Singapore and having its registered office at 156 Cecil Street #09-01, Far Eastern Bank Building, Singapore 069544 ("**LKN**") pursuant to an agreement between Gadius and LKN dated 15 March 2015 to develop two strata bungalows of 4698.41 square feet each.

USPP and Gadius have agreed to jointly develop the Project which will require an estimated total development cost of S$5,738,000 where USPP will invest a sum of S$3,200,000 ("**Proposed Transaction**")

### 2.2. Rationale and Benefits of the Proposed Transaction

The reasons supporting the Proposed Transaction are as follows:-

(a) While the Group will seek opportunities in mid to large projects with good yields, it will also seek small scale development projects to increase its experience and profitability. This investment is in line with the strategy of the Group's property business.

(b) The Company believes that the Agreements with Gadius will provide the Company with a decent level of profit; i.e. minimum return of 3.44% within a 21-month period, while providing a good avenue to grow our property portfolio.

(c) The management personnel at Gadius have taken over as the project manager for USPP's existing property development project at 71 Blandford Drive, and have provided key assistance in getting the project on schedule. The Company is confident that based on the working experience with the Gadius' management, they have the experience and capability to ensure the smooth and timely completion of the Proposed Transaction.

## 3. PRINCIPAL TERMS OF THE PROPOSED TRANSACTION

3.1 USPP shall invest a sum as described in paragraph 4 ("**Investment Sum**") for the development and sale of the Project through Gadius. In return, Gadius and its shareholders have guaranteed a return of S$3,310,000 by 30 September 2018 ("**Guaranteed Return**"), as well as an additional 50% of the difference between the sale price of the first strata bungalow and S$3,310,000, exclusive of GST ("**Investment Return**").

3.2 As security by way of a mortgage, the shareholders of Gadius will transfer the legal and beneficial title to 55% of the shares of Gadius to USPP (the "**Gadius Shares**") by 15 February 2017, which will be subsequently transferred back by USPP to the shareholders of Gadius upon receipt by USPP of its Investment Return (subject to a minimum sum equal to the Guaranteed Return).

3.3 The other salient terms of the Agreements as are follow:-

(a) As part of the Agreement, the Gadius shareholders will be solely responsible for the progress, construction, completion and sale of the Punggol Seventeenth Avenue Project. USPP shall have the right to approve the construction design, plans and schedule; the marketing and sales plan and schedule; and the marketing agent to handle the sales transaction of the first bungalow to be sold at a price to be determined by USPP at its sole discretion (subject to a minimum reserve price of S$3,310,000).

(b) The conditions precedent to the completion of the Agreements ("**Completion**") include:-

(i) all approvals, waivers or consents as may be required for the transfer of the Gadius Shares, to enable USPP and/or its nominee(s) to be registered as holder(s) of the Gadius Shares, and to give effect to the transactions contemplated hereunder (including without limitation, under all applicable laws and such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which the Gadius is a party or by which the Gadius or its assets are bound) being obtained (including without limitation, the approvals from the government agencies, Gadius's bankers, suppliers and customers for the transactions contemplated under the Agreements) and where any waiver, consent or approval is subject to conditions, such conditions being satisfactory to USPP in its sole and absolute discretion and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;

(ii) there being no material adverse change in the business, operations, assets, financial condition or prospects of Gadius since the date of signing of the Agreements;

(iii) the Company having received approval from its shareholders (if applicable) for the transactions contemplated in the Agreements (including, without limitation, effecting Completion);

(iv) the Company having received approval from the SGX-ST for the listing of and quotation for the Consideration Shares (as defined below) on the SGX-ST; and

(v) the allotment and issuance of the Consideration Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Agreements by any legislative, executive or regulatory body or authority of Singapore.

## 4. CONSIDERATION FOR THE PROPOSED TRANSACTION

4.1. The consideration for the Proposed Transaction ("**Consideration**") was agreed to be S$3,200,000, comprising (i) S$2,200,000 in cash; and (ii) S$1,000,000 in Consideration Shares. The Consideration was determined at arm's length, taking into consideration the following:-

(a) the transaction value of the Punggol Seventeenth Avenue plots of land is S$3,300,000; and

(b) the expected development costs for the two bungalows on the Punggol Seventeenth Avenue is S$2,438,000; and

(c) the estimated sale price of the completed Project will be between S$3,600,00 and S$4,000,000 per unit.

4.2. **Settlement of Consideration**

The Consideration will be settled in the following manner:-

(a) Upon signing of the Agreements, USPP will provide the amount of S$300,000 in cash as an advance to Gadius;

(b) Upon Completion and subject to the satisfaction by Gadius of their post-completion terms under the Agreements, USPP will:

(i) provide the amount of S$900,000 in cash to Gadius over the course of 7 months, beginning in March 2017;

(ii) issue to the Gadius or its assignees S$1,000,000 of new shares in the Company by 30 June 2017 ("**Consideration Shares**"), as determined by the 5-day average price prior to issuance, subject to approval of the Board and the shareholders (as the case may be); and

(iii) provide the amount of S$1,000,000 in cash by 31 December 2017.

4.3. The Consideration Shares to be issued to Gadius in accordance with the Agreements as set out in paragraph 4.2 above will be issued pursuant to the general mandate obtained at the annual general meeting of the Company on 29 September 2016. The Consideration Shares, when allotted and issued, will be credited as fully paid for, free and clear of all Encumbrances and will rank *pari passu* with all existing Shares.

4.4. The Company will be making an application to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the dealing in, listing of and quotation of the Consideration Shares on the Main Board of the SGX-ST and will inform Shareholders of the outcome of the application in due course.

4.5. **Moratorium Undertaking by Gadius**

Gadius has agreed that it shall not sell, transfer or otherwise dispose of or mortgage, pledge, charge or otherwise create any lien, security interest or any other encumbrances on any of the Consideration Shares (or any interest therein) for a period of 6 months from the date of issuance of the shares.

## 5. SOURCES OF FUNDS FOR THE PROPOSED TRANSACTION

The component of the Consideration which will be satisfied in cash will be funded by internal resources.

## 6. FINANCIAL INFORMATION AND EFFECTS OF THE PROPOSED TRANSACTION

The pro forma financial effects of the Proposed Transaction, based on the audited consolidated financial statements of the Group for FY2016 are set out below. The pro forma financial effects are only presented for illustration purposes, and are not intended to reflect the actual future financial situation of the Company or the Group after completion of the Proposed Transaction.

(a) **Earnings per Share ("EPS")**

Assuming that the Proposed Transaction was completed on 1 April 2015, the effect of the Proposed Transaction on the EPS of the Company for FY2016 will be as follows:-

| | **Before the Proposed Transaction** | **After the Proposed Transaction** |
|---|---|---|
| **EPS (cents)** (1) | 0.38 | 0.38 |

(b) **Net Tangible Assets ("NTA")**

Assuming that the Proposed Transaction was completed on 31 March 2016, the effect of the Proposed Transaction on the NTA of the Company for FY2016 will be as follows:

| | **Before the completion of the Proposed Transaction** | **After the completion of the Proposed Transaction** |
|---|---|---|
| **NTA (S$'000)** | 56,880 | 56,880 |
| **Number of Shares ('000)** (1) | 787,754 | 787,754 |
| **NTA per Share (cents)** (1) | 7.22 | 7.22 |

**Notes:-**

(1) Applies to the number of issued shares before the Share Consolidation of 11 April 2016.

## 7. THE PROPOSED TRANSACTION AS A MAJOR TRANSACTION

7.1 The relative figures for the Proposed Transaction computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

| **Rule 1006 of the Listing Manual** | **Bases** | **Relative Figures** |
|---|---|---|
| (a) | The net asset value of the assets to be disposed of, compared with the Group's net asset value. | Not Applicable**(1)** |
| (b) | The net profits attributable to the assets acquired, compared with the Group's net profits. | Not Applicable(2) |

| | | |
|---|---|---|
| (c) | The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury Shares. | 35.60%(3) |
| (d) | The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue. | 11.13%(4) |
| (e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. | Not Applicable**(5)** |

**Notes:-**

(1) This is technically an acquisition.

(2) Under Rule 1002(3)(b) of the Listing Manual, "**net profits**" means profit or loss before income tax, minority interests and extraordinary items. Gadius has yet to record a profit or loss.

(3) Based on the Consideration of $3,200,000 and the approximate market capitalization of the Company of S$8,990,000. The Company's market capitalisation is determined by multiplying the number of Shares in issue (82,460,337) by the weighted average price of the Shares on 7 February 2017 (being the market day preceding the date of the Agreements) of S$0.109 per Share.

(4) Based on the approximate number of S$1,000,000 worth of Consideration Shares to be issued at the share price of S$0.109 per Share, being 9,174,312, divided by the number of Shares in issue (82,460,337), excluding treasury Shares.

(5) The Company is not a mineral, oil or gas company.

As one of the relative figures as computed on the above bases exceed 20.0%, the Proposed Transaction would normally constitute a "major transaction" within the meaning of Chapter 10 of the Listing Manual, and is subject to approval of Shareholders.

7.2 However, the Directors are of the view that the Proposed Transaction is in the ordinary course of Group's Property Business as approved by shareholders on 25 February 2014 and will not change the risk profile of the Group for the foregoing reasons:-

(a) The Proposed Transaction will not increase the scale of the Group's existing operations significantly as the investment constitutes only 5.5% of the latest reported Net Assets of the Group as at 30 September 2016.

(b) The Proposed Transaction will not result in a change of control of the Company. Although the Company will be issuing the Consideration Shares to the Gadius shareholders, the Consideration Shares will only comprise 11.13% of the Company's enlarged share capital.

(c) The Proposed Transaction will not have a significant adverse impact on the Group's working capital due to the relatively short investment timeline and the Guaranteed Return.

(d) The consideration for the Proposed Transaction is priced based on the transaction value of the plots of land, the development costs of the Project, and the estimated

sale price of the completed Project of between S$3,600,00 and S$4,000,000 per unit.

(e) Any downside risk to the Proposed Transaction is mitigated by the Guaranteed Return by Gadius and the personal guarantees of the shareholders of Gadius.

As such, the Group will be seeking SGX-ST approval to waive the requirement to seek Shareholders approval. In the event that such approval of the SGX-ST is not obtained, the Group will proceed to seek Shareholders' approval in an extraordinary general meeting.

## 8. NO SERVICE CONTRACTS WITH DIRECTORS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

## 9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors (other than in his capacity as a Director or Shareholder) and to the best of the Directors' knowledge, none of the controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction.

## 10. 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 Proposed Transaction, 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 these sources and/or reproduced in this Announcement in its proper form and context.

## 11. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Transaction is conditional upon, among others, the approval from the SGX-ST for the listing and quotation of the Consideration Shares and are therefore advised to exercise caution when dealing or trading in the Shares. Shareholders and potential investors should consult their stockbrokers, bankers, solicitors or other professional advisers if they have any doubt about the actions they should take.

## 12. INSPECTION

A copy of the Agreements is available for inspection upon appointment at the registered office of the Company for the duration of three (3) months from the date of this Announcement.

**BY ORDER OF THE BOARD**

Li Hua
Executive Chairman
9 February 2017