

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

Response to SGX's Query on the Company's announcement dated 17 September 2019

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 13 September 2019 Announcement.

SGX-ST's Queries

(i) We refer to the following statement in the Independent Auditor's Report: "The group did not commence any eco-fuel production since the acquisition of the machines in 2014."

(a) Why did the management and board of directors of the Company purchase these machines in 2014, and subsequently did not undertake the eco-fuel business?

(b) Who is the vendor from whom the machines were purchased? Please provide details on the principal business of the vendor as well as the names of its shareholders and directors.

Company's Response (i)(a)

The management and board of directors had purchased these machines with the intention to venture into the eco-fuel business during the period when oil prices was trading above US\$100 in 2014. Oil prices crashed to a low of US\$52 shortly after that which made it not economically feasible to start the eco-fuel business. The management and board continue to monitor the oil price and its viability to start the business over the last 4 years. Unfortunately, the oil prices did not recover to a breakeven point, even to the low point of US\$36 per barrel, to make the business viable.

Company's Response (i)(b)

The vendor was Giantway Management Limited, a Hong Kong based company who is in the business of selling such eco-fuel machines. Both the sole director and shareholder is Mr Wong Peng Wai.

SGX-ST's Queries

(ii) We refer to the following statement in the Independent Auditors' Report: "management has written off the full carrying value of the machines and the deposit totalling \$14,119,000." What is management's plans for these machines?

Company's Response (ii)

The management had sourced for potential buyers for the machines but to no avail as a consequence of the continued depressed oil prices. The machines are being disposed as scrap metal.

SGX-ST's Queries

(iii) Please clarify the meaning of the following statement in the Notes to the Financial Statements: "the bank has agreed to accommodate the breach of loan covenants on a one-off basis for the reporting year ended 31 March 2019."

Company's Response (iii)

Based on the letter issued by our banker, despite having the breach of loan covenants as of 31 March 2019, they are willing to accommodate the breach and not recall the group banking facilities arising from this breach.

SGX-ST's Queries

(a) In particular, is the Company and/or the Group currently in breach of the loan covenants since the waiver by the bank is applicable only for the financial year ended 31 March 2019?

(b) Further, should the relevant bank loans be classified as current in the Company's first quarter results for the financial year ended 31 March 2020 (i.e. the period from 1 April 2019 to 30 June 2019)?

Company's Response (a) and (b)

As the bank has already provided the waiver letter post the reporting period of 31 March 2019, the Company, through consultation with the auditors, will be classifying the loans as non-current moving forward. This will apply for the first quarter results, being 1 April to 30 Jun 2019; i.e. there are no changes to the results reported on 14 August 2019.

SGX-ST's Queries

(iv) We refer to the following statement in the Notes to the Financial Statements: "Management is confident that the proceeds from sale of development property in Singapore will be obtained within 12 months from the reporting year ended 31 March 2019."

(a) Please clarify which development property is being referred to.

Company's Response (iv)(a)

This refer to our development unit at 71 Blandford.

SGX-ST's Queries

(b) Please provide a status update on the proposed sale of the development property, including whether an option to purchase has been granted to the potential buyer.

Company's Response (iv)(b)

Option to purchase has been exercised on 5 September 2019.

SGX-ST's Queries

(c) Please state the expected amount of proceeds to be received from the sale of the development property.

Company's Response (iv)(c)

The expected amount of proceeds to be received from the sale of the development property is S\$3.28 million.

SGX-ST's Queries

(d) Please state the expected date on which the sale of the development property would be completed.

Company's Response (iv)(d)

The expected date of completion is 17 October 2019.

BY ORDER OF THE BOARD

Nah Ee Ling
Executive Director
23 September 2019