

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

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**HEADS OF AGREEMENT IN RELATION TO THE PROPOSED DISPOSAL OF IQ AIR BUSINESS BY SUPRATECHNIC PTE LTD TO SCIENTIFIC INDUSTRIAL AND INSTRUMENTATION PTE LTD**

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The Board of Directors ("Board") of USP Group Limited ("Company") and together with its subsidiaries, the ("Group") wishes to announce its wholly-owned subsidiary, Supratechnic Pte Ltd ("Supra") had on 15 Feb 2017 entered into a heads of agreement ("HOA") with Scientific Industrial and Instrumentation Pte Ltd (the "Purchaser" or "SII") in relation to the proposed disposal of IQ Air Business ("Proposed Disposal").

## **1. Background**

Supra has two principal business, being (i) the distribution and servicing of marine out-board motors and other marine products, and (ii) distribution and sale of air purifier products under the brand, **IQ Air** (the "**Air Purifier business**"). The Air Purifier business operates as a division within Supra. For the FYE March 2016, the Air Purifier business achieved a revenue of S\$1,917,343 million on a gross profit of S\$868,729 representing 4.56% of Supra's revenue and 5.14% of Supra's gross profits.

Supra also holds 51% of SII. SII has been incorporated since 1975 and the 49% shareholder, Mr Leong Man Yin was the founder. Mr Leong is not a substantial shareholder of the Company, nor is he related to the directors of the Company or the previous owners of Supra. None of the directors nor key management of the Company have any direct or indirect interest in SII.

As previously announced on SGX on 17 November and 2 December 2016, Supra has been appointed as the exclusive regional distributor of Mercury products including Mercury outboard motors, Mercruiser Sterndrives and Inboard Engines, Mercury Diesel Sterndrives and Inboard Engines and Quicksilver lubricants, parts and accessories for Singapore, Malaysia, Indonesia and Brunei. With the emphasis on the marine business, the management is concerned that the Air Purifier business will not get the operational attention to grow the business.

The HOA sets out in broad terms the principal terms and conditions as well as the transaction structure under which, inter alia, the Proposed Transaction will be evaluated further by the HOA Parties. The transactions contemplated under the HOA are subject to, inter alia, the entry into of definitive agreements (the "Definitive Agreements") between, inter alia, the HOA Parties in respect of the Proposed Transactions. Further details will be announced in the event that the Definitive Agreements are entered into by the Company.

## **2. Salient Terms of the HOA**

Assuming the SPA is similar to the HOA in respect of the terms of the Proposed Disposal, the consideration for the Proposed Disposal is S\$4.3 million ("**Consideration**") and is expected to constitute a major transaction as defined under Chapter 10 of the Listing Manual of the SGX-ST. The sale of the Air

Purifier business will include the accounts receivables, payables, deposits (“**Proforma Assets**”) but will not include goods in transit, cash nor any inventory.

The Consideration will be paid in two tranches:

- i. Upon signing of a sales and purchase agreement, S\$1 mil in cash will be paid by SII to Supra, and S\$1.3 mil in new ordinary shares of SII based on the latest available Net Asset Value per share of SII.
- ii. Upon the agreement of Incen AG, the principal of IQ Air to transfer the exclusive Singapore distribution rights to SII or any later date, another S\$2 mil in cash.

The HOA will expire in 90 days in the event that definitive agreements are not signed by then. Meanwhile, the Company has already applied to SGX-ST for waiver of Chapter 10 Rules for the disposal of the IQ Air business and will update accordingly of the result.

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 Disposal.

**BY ORDER OF THE BOARD**

Li Hua  
(Executive Chairman and Chief Executive Officer)  
15 February 2017