

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

RESPONSES TO SGX-ST QUERIES ON THE COMPANY'S ANNOUNCEMENT DATED 21 JANUARY 2021 IN RELATION TO MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN HIGHLIGHTED BY INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

The Board of Directors (the "**Board**") 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 announcement made on 21 January 2021.

SGX-ST's Queries (i)

Please provide the Board's assessment on the Company's ability to continue as a going concern and the basis for its assessment.

Company's Response (i)

The Board is of the view that the Group is able to continue as a going concern, taking into account the following:

- (i) (a) The Group had on 7 August 2020 entered into a conditional sale and purchase agreement (the "**SPA**") with AJ Jetting Pte. Ltd. (the "**Purchaser**") in which the Purchaser has agreed to acquire the Group's entire shareholdings of 93.09% of Biofuel Research Pte Ltd (the "**Proposed Disposal**") for an aggregate consideration of \$5,585,400 (the "**Consideration**"). The Purchaser has paid a sum of S\$1,500,000 (the "**First Payment**") as part of the Consideration to the Company by way of a Cashier's Order (the "**Cashier's Order**"). The Cashier's Order was in the possession of the Group's lawyers and the due date for the presentation of the Cashier's Order had lapsed on 10 November 2020.
- (b) On 11 December 2020, the Group and the Purchaser have entered into a deed of addendum and release (the "**Deed**") to extend the Long Stop Date under the SPA to 12 June 2021 and to reissue the First Payment to the Group. The First Payment was released to the Group upon execution of the Deed.
- (c) The Group expects to complete the Proposed Disposal before the Long Stop Date upon satisfactory fulfilment of all conditions precedent to the SPA including satisfactory completion of due diligence by the Purchaser, and receipt of requisite regulatory and shareholder approvals.
- (ii) (a) On 16 December 2020, the Group obtained waiver from its principal banker, United Overseas Bank Limited Ltd ("**UOB**") on the breach of loan covenants on a one-off basis together with the revision of loan covenant to maintain a minimum consolidated tangible net worth of S\$25 million at all times.
- (b) As a result, UOB has assured that it will not request for immediate repayment of the outstanding loan amounts.
- (c) To-date, the Group has repaid UOB an approximate amount of S\$1.2 million. The Group has further pledged to repay a further sum of S\$4 million to UOB to reduce its outstanding loan amounts upon the completion of the Proposed Disposal.
- (iii) (a) Despite the global Covid-19 pandemic, the Group has produced profitable results for 1st

Quarter for the period ended 30 June 2020 (“Q1”) and 2nd Quarter for the period ended 30 September 2020 (“Q2”), stemming the losses suffered by the Group of approximately S\$23.2 million for 2019 and S\$6.7 million for 2020. Q1 produced a profit of S\$267,000 whilst Q2 produced a profit of S\$193,000.

- (b) The Group managed to return a vacant plot of land at 16 Joo Koon Circle (“**JTC land**”) to Jurong Town Corporation without any penalties, thereby reducing the monthly expenses incurred for the maintenance of JTC land which remained undeveloped for the past few years.
- (c) The Group believes that the positive results were due to the Board’s careful streamlining and calibration of the Group’s operations and businesses, which included the implementation of costs cutting measures and pay cut across the Group.
- (iv) (a) As part of its business expansion plan, the Group has, through its wholly owned subsidiary, PT Supratechnics Instrumentasi Indonesia, engaged in a series of business negotiation with potential business partners in Indonesia to expand the Indonesian markets for the Group’s marine engine and boat business. The Group believes the negotiation will lead to positive outcome and expects to complete the negotiation in 3rd quarter of 2021.
- (b) The Group has incorporated two (2) wholly owned subsidiaries known as Theme A Properties Pte Ltd (“**Theme A Properties**”) and Theme A Investment Holdings Pte Ltd (“**Theme A Investment**”) on 19 October 2020 and 13 January 2021 respectively.
 - i. Theme A Properties has obtained CEHA-licensed property agency and is in negotiations with landowners and developers in Indonesia to facilitate the redevelopment of their properties, and/or market and sell these properties. The Group expects to complete negotiation in 3rd quarter of 2021. The Group believes that Theme A Properties will help the Group to market its own properties for sale and rent.
 - ii. The Group, through its subsidiary, Theme A Investment Holdings, is in negotiations with potential business partners in both Singapore and Indonesia, to facilitate identifying and investing in new business opportunities for the Group. The Group expects to complete negotiation with positive outcome by 4th quarter of 2021.
- (v) Based on the abovementioned, the Board is of the view that the FY2020 Audited Financial Statements is prepared on a going concern basis

SGX-ST’s Queries (ii)

Please provide the Board’s opinion and its basis as to whether trading in the shares of the Company should be suspended pursuant to Listing Rule 1303(3).

Company’s Response (ii)

In view of the Company’s Response (i), the Board is of the opinion that the Group is able to continue as a going concern and that there is no requirement for the Company to call for a suspension of trading of the Company’s shares pursuant to Listing Rule 1303(3).

SGX-ST’s Queries (iii)

Please provide the Board’s confirmation that the Company has made all material disclosures to ensure that its shares can continue to be traded in an orderly manner, and the basis for its assessment.

Company’s Response (iii)

In view of the Company’s Response (i), the Board is of the opinion that sufficient information has been disclosed for trading of the Company’s shares to continue in an orderly manner and confirms that all material disclosures have been provided for trading of the Company’s shares to continue.

Shareholders of the Company are advised to read the FY2020 Audited Financial Statements in its 2020 annual report.

By Order of the Board
USP GROUP LIMITED

Tanoto Sau Ian
CEO and Executive
Director
22 January 2021