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

RESPONSES TO SGX-ST QUERIES ON THE COMPANY'S ANNUAL REPORT FOR FINANCIAL YEAR ENDED 31 MARCH 2021 PUBLISHED ON 13 FEBRUARY 2022

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 Company's Annual Report for Financial Year Ended 31 March 2021 ("**AR2021**") dated 13 February 2022.

SGX-ST's Query (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)

(i) The Board is of the view that the Company is able to continue as a going concern after taking into account the following considerations:

a. Based on the cash flow projection prepared by the Management, the Group continues to generate positive cash flows for the next 24 months despite the slowdown in the operating environment as required by SSA570 Going Concern. The cashflow projection has been provided and reviewed by an independent auditor. New investment and realistic expansionary plans of the Group are also included in the cashflow projection. Please refer to Note 3 (a) of AR2021 for more information.

*b. i. Prior to 2019, one of the Company's subsidiaries, Supratechnic (S) Pte Ptd ("**Supra SG**"), has drawdown trade financing ("**the said trade financing**") for working capital with minimal repayments despite the lapse of the maturity date. This has resulted a higher late interest charges to be borne by the Group. However, upon the change of the composition of Board on 20 February 2020, the Group has since then commenced constant repayments to the bank in order to pare down the said trade financing and to lower down the financing charges imposed to the Group.*

*ii. The breakdown of the said trade financing loans and the corresponding interest charges for financial years ended 31 March 2020 ("**FY2020**"), 31 March 2021 ("**FY2021**") and 31 March 2022 ("**FY2022**") are set out as follows:*

	FY2020	*FY2021*	*FY2022*
	SGD (S$)	*SGD (S$)*	*SGD (S$)*
Trade financing	*9,348,000*	*8,352,000*	*7,668,000*
Interest expense	*470,000*	*485,000*	*300,000*

*iii. In addition to the said constant repayments, the Company has plans to dispose two (2) properties of the Group ("**the proposed disposal**"). Upon completion of the proposed disposal, the Board expects that the said trade financing will be reduced by approximately S$6,800,000. Further announcements will be made by the Company at the appropriate time.*

iv. In view of the said constant repayments and proposed disposal, the Board believes that the trade financing will be fully repaid by first quarter of 2023.

c. i. *As stated in Note 3 of AR2021, the Group has outstanding bank loan defaulted ("**the defaulted bank loan**") since 2019. The Board wishes to clarify that the defaulted bank loan was used to fund the acquisition of Supra SG and its subsidiaries (collectively, "**Supra Group**") in 2016. The defaulted bank loan was repayable by way of 60 monthly instalments.*

ii. *However, substantial portion of the defaulted bank loan was defaulted by the previous Managements with the balances of S$4,394,000 in FY2020. As of to-date, the balance of the defaulted bank loan is S$4,348,000. The Group has commenced repayment of the defaulted bank loan in FY2022. The Board expects that the defaulted bank loan will be repaid by financial year ending 31 March 2027 ("**FY2027**").*

d. *On 30 March 2021, the Group has obtained letters from its principal banker, United Overseas Bank Limited Ltd ("**UOB**"), to maintain a minimum consolidated tangible net worth of S$20,000,000 at all times.*

e. *Based on the aforementioned, the Board is of the view that the bank will not request for immediate payment of the said trade financing and defaulted bank loan.*

f. *As stated in Note 30(b) to the AR2021, the Group has S$6,991,000 undrawn credit facilities. Together with the available trade credit facilities provided by the Group's main supplier, the Board believes that the Group will have adequate liquidity resources to meet its ongoing obligations.*

g. *In spite of the challenges besetting the operating environment, the Group managed to reduce its losses from S$6,650,000 in FY2020 to S$1,269,000 in FY2021. In the 3rd quarter of FY2022 ("**Q3 FY2022**"), the Group has recorded a net profit of S$2,141,000 which was contributed mainly by the improvement in marine sector. Further, as of 30 April 2022, the book order for the marine sector stands at approximately S$26,000,000 as of 30 April 2022 for the sales to be delivered into early 2023. Hence, most of the inventories as of 31 March 2021 has already been booked in for the sales in FY2022.*

h. *The Management has executed periodic assessments in relation to the Group's operations and where appropriate, would seek for improvements in productivity and manage cost efficiency of the Group's operations. This has resulted in the improvement in EBITA of the Group from S$1,594,000 in FY2020 to S$4,650,000 in FY2021. Based on the Company's announcement for Q3 FY2022, the EBITA of the Group is S$4,560,000 and is expected to grow higher. Please refer to the Company's announcement dated 31 March 2022 for more information.*

i. *The Management has been taking steps to source for new contracts for marine sector as well as other projects that are in line with the Group's business by engaging various parties including potential investors, consultant and contractors within the business network of the Group who have the potential of awarding jobs. Further announcement will be made by the Company at the appropriate time.*

(ii) *The Board wishes to clarify that the said trade financings and defaulted bank loan stated at (b)(ii) above were legacy issues inherited from the previous managements before the current Management came on board on 20 February 2020.*

(iii) *In respect of the losses for FY2021, the Board wishes to clarify that the said losses are mainly due to the fair value loss (revaluation) on the Group's industrial property at Woodlands Industrial Park E5, which suffered a drop of S$2,000,000. The Board expects that the said fair value loss is to have a continual impact in the future as it was grossly inflated by the previous management. The Group has since commenced legal action against the relevant parties regarding the said industrial property. The Board believes that the Group would have registered a profit of S$730,000 for FY2021 but for the said fair value loss. Please refer to page 8 of the AR2021 for more information.*

<u>SGX-ST's Query (ii)</u>

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).

<u>Company's Response (ii)</u>

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).

<u>SGX-ST's Query (iii)</u>

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.

<u>Company's Response (iii)</u>

In view of the Company's Response (i), the Board is of the opinion that all material disclosures have been disclosed and will continue to provide to its shareholders material disclosure in a timely manner. In view of the foregoing, the Board confirms that sufficient information has been disclosed for the trading of the Company's shares to continue in an orderly manner.

Shareholders of the Company are advised to read the FY2021 Audited Financial Statements in AR2021.

By Order of the Board
USP GROUP LIMITED

Tanoto Sau Ian
Chief Executive Officer, Managing and Executive Director
10 May 2022