

**RESPONSE TO SGX QUERIES ON FY2017 1ST HALF YEAR RESULTS ANNOUNCEMENT**

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The Board of Directors of USP Group Limited (the "Company") wishes to announce the following responses to queries raised by Singapore Exchange Securities Trading Limited ("SGX-ST") in its email dated 9 November 2016 on the 1st Half Year Results Announcement released to SGX-ST on 5 November 2016.

**SGX-ST's Query 1:**

*We note that the Group did not make any impairment of the remaining investment in SGSS for the 2Q2017 results even though the 51% shareholder of SGSS had "attempted to trigger a voluntarily winding up of SGSS" in October 2016.*

*Please clarify the following:*

- (i) What action was taken by the 51% shareholder of SGSS to wind up SGSS and what is the current status?*
- (ii) Why did the Directors not consider it appropriate to make any additional provision of the remaining S\$3.655 million investment in SGSS for the 2Q2017 results given the abovementioned action by the 51% shareholder of SGSS?*
- (iii) It is stated that the remaining investment is classified under "available for sale quoted equity securities". Are the shares in SGSS quoted?*

**Company's Response 1(i)**

The 51% shareholder, who is also one of the three (3) directors of SGSS, together with another non-executive director of SGSS, had passed a director's resolution in writing for a creditors' voluntary liquidation on 13 October 2016 (the "CVL Resolution"). The CVL Resolution was passed with the approval of two of the three directors of SGSS, without the consent of the Group or the Group's nominee director on the board of SGSS. Pursuant to the CVL Resolution, SGSS appointed Provisional Liquidators ("PL") on 13 October 2016. According to Section 291 the Companies Act (Cap. 50) ("Companies Act"), meetings of the company and of its creditors (the "CVL Meetings") have to be summoned within 1 month from the date of appointment of the PLs. The Group understands from the PLs that the CVL Meetings was not called.

The 51% shareholder has since unilaterally filed an application for a Court Order to wind up SGSS under Section 254 of the Companies Act (the "Section 254 Application"). The court application was again done without the prior knowledge or consent of the Group.

The Group is currently considering various options to respond to the Section 254 Application in consultation with its solicitors.

**Company's Response 1(ii)**

The Directors did not provide for the investment for the 2Q 2017 results because:

- (a) The CVL Resolution was given to the nominee director of the Group in a very haphazard manner. The 51% shareholder only gave "48 hours" to the nominee director to respond to the CVL Resolution. The nominee director (and thus, the Group) was not in able to properly assess the situation of SGSS. Further, the nominee director and the Group did not have sufficient information from SGSS and the other directors (including the 51% shareholder) in order to make a proper informed assessment. Despite earlier requests for the financial information, SGSS and other directors (including the 51%

- shareholder) had refused to provide sufficient information and documents to the Group and its nominee director;
- (b) The nominee director had, through his solicitor, written to the PLs to request for access to the financial records of SGSS, and this is still in the midst of reviewing the financial records of SGSS;
  - (c) The Group (through the solicitor of USPI) has asked for explanation from SGSS, how and when SGSS become allegedly insolvent and what actions were taken to address and/or resolve the issues which led to the alleged insolvency before the decision was made (by two out of the three directors of SGSS) to place SGSS into creditor's voluntary liquidation. The Directors (of the Group) require all these material facts before they can make a proper assessment of the situation of SGSS and have the relevant supporting facts (to be obtained by reviewing SGSS's financial records), this is why "additional provision of the remaining S\$3.655 million investment in SGSS" could or would be made in the following quarter.
  - (d) It is to be noted that the CVL Resolution event was a "subsequent event" after the close of the reported period (after 30 September 2016). The Group was advised and was certain that under the Companies Act, 75% approval from the shareholder of SGSS must be obtained at the CVL Meetings before SGSS can properly be placed in CVL and the appointment of liquidators of SGSS can be confirmed. As the Group was not able to fully assess the situations in SGSS (it was only able to access the financial records only on 24 October 2016), therefore, it is prudent for the Directors to defer to the next reporting period so that the Directors can provide better particulars to the shareholders.

**Company's Response 1(iii)**

SGSS is an unquoted equity. The statement should read "*For the FYE March 2016, the Group made an impairment of S\$1.5 mil and reclassified the remaining investment as available for sale unquoted equity securities amounting to S\$3.655 million.*" as reflected in the Annual Report.

**BY ORDER OF THE BOARD**

Li Hua  
(Executive Chairman and Chief Executive Officer)  
16 November 2016