APPENDIX DATED 4 JULY 2018

This Appendix is circulated to the Shareholders of USP Group Limited (the "**Company**") together with the Company's Annual Report 2018. The purpose of this Appendix is to explain to Shareholders the rationale and provide information relating to the proposed renewal of the Share Purchase Mandate (as defined in this Appendix) to be tabled at the Annual General Meeting ("**2018 AGM**") of the Company to be held at 16A Joo Koon Circle Singapore 629048 on 31 July 2018 at 9:00 am.

The Notice of the 2018 AGM and a Proxy Form are enclosed with the Annual Report 2018.

If you are in any doubt as to the contents of this Appendix or the course of action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the issued share capital of the Company, you should immediately forward this Appendix, the Annual Report 2018 and the Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the accuracy of any of the statements made, opinions expressed and reports contained in this Appendix.

USP

USP GROUP LIMITED

(COMPANY REGISTRATION NUMBER: 200409104W)
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

APPENDIX TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

USP GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200409104W)

Directors

Li Hua (Executive Chairman and Chief Executive Officer)
Nah Ee Ling (Executive Director and CFO)
Weng Huixin (Non-Executive Director)
Yip Mun Foong James (Lead Independent Director)
Goh Chong Theng (Independent Director)

Registered Office

38 Beach Road #29-11
South Beach Tower
Singapore 189767

4 July 2018

TO: THE SHAREHOLDERS OF USP GROUP LIMITED

Dear Sir/Madam

1. INTRODUCTION

We refer to the notice of annual general meeting issued by the Company dated 16 July 2018 ("**Notice of the 2018 AGM**").

Item 8 of the Notice of the 2018 AGM is an Ordinary Resolution ("**Resolution 9"**) to be proposed at the 2018 AGM for the renewal of the Share Purchase Mandate which will empower the Directors to make purchases or otherwise acquire Shares from time to time subject to certain restrictions set out in the listing manual of the SGX-ST ("**Listing Manual**").

At the extraordinary general meeting of the Company held on 27 February 2015 ("**2015 EGM**"), the Company obtained Shareholders' approval for the first adoption of the Share Purchase Mandate which is to continue in force until the date of the Company's next annual general meeting (the "**Share Purchase Mandate**"). The mandate was subsequently renewed during the annual general meeting ("**AGM**") held on 31 July 2015 and 29 September 2016 and last renewed at the last AGM held on 29 September 2017. The mandate will, unless renewed again, expire on the date of the 2018 AGM.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

The Directors are proposing to seek the approval of Shareholders for the renewal of the Share Purchase Mandate.

2.1 Rationale for the Share Purchase Mandate

The renewal of the Share Purchase Mandate will give the Company the flexibility to undertake purchases of its Shares at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force. The Directors believe that the Share Purchase Mandate will provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. The Share Purchase Mandate will also allow the Directors to exercise greater control over the Company's share capital structure, dividend payout and cash reserves, with a view to enhancing the net tangible assets and/or earnings per Share. The Directors further believe that Share Purchases may also buffer short-term share price volatility and offset the effects of share price speculation. Where Shares are purchased by the Company and are held as Treasury Shares, it will also enable the Company to transfer the Treasury Shares for the purposes of the Company's performance share plan.

The purchase or acquisition of Shares will only be undertaken if the Directors believe that it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorized. No purchase or acquisition of Shares will be made in circumstances, which would have or may have a material adverse effect on the financial condition, liquidity and capital of the Company and the Group.

2.2 Authority and Limits of the Share Purchase Mandate

The authority and limits placed on the purchases or acquisitions of Shares by the Company ("**Share Purchases**") pursuant to the Share Purchase Mandate, if renewed at the 2018 AGM, are substantially the same as previously approved by the Shareholders and are set out below:-

2.2.1 Maximum number of Shares

(a) Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate shall not exceed 10% (excluding Treasury Shares and subsidiary holdings) of the total number of issued Shares as at the date of the forthcoming 2018 AGM at which approval for the proposed renewal of the Share Purchase Mandate is being sought (the "**Approval Date**"). For purposes of calculating the percentage of issued Shares, any Shares which are held in subsidiary holdings and as Treasury Shares will be disregarded for the purpose of computing the 10% limit. As at 4 July 2018, ("the **Latest Practicable Date**"), none of the Company's subsidiaries hold any shares in the Company.

(b) For illustrative purposes only, on the basis of 90,287,403 issued Shares (excluding Treasury Shares and subsidiary holdings) as at 22 June 2018, and assuming that no further Shares are issued on or prior to the 2018 AGM, not more than 9,028,740 Shares (representing 10% of the total number of issued Shares as at that date) may be purchased by the Company pursuant to the Share Purchase Mandate.

2.2.2 Duration of Authority

(a) Share Purchase may be made, at any time and from time to time, on and from the Approval Date up to:-

(i) the date on which the next annual general meeting of the Company is held or required by law to be held; or

(ii) the date on which the Share Purchases are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting, whichever is the earliest.

(b) The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed.

2.2.3 Manner of Share Purchases

(a) Share Purchase may be made by way of:-

(i) an on-market share purchase ("**Market Share Purchase**"), transacted on the SGX-ST through the SGX-ST trading system or, as the case may be, any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) an off-market share purchase ("**Off-market Share Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act (Chapter 50) ("**Act**") and the Listing Manual.

(b) The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. However, an Off-Market Share Purchase effected in accordance with an equal access scheme must satisfy all the following conditions:-

(i) offers under the scheme are to be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded:-

(1) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;

(2) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and

(3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

(c) In addition, the Listing Manual provides that, in making an Off-Market Share Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:-

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptance;

(iii) the reasons for the proposed Share Purchase;

(iv) the consequences, if any, of Share Purchases that will arise under the Takeover Code or other applicable take-over rules;

(v) whether the Share Purchase, if made, could affect the listing of the Shares on the SGX-ST;

(vi) details of any Share Purchases made by the Company during the previous 12 months (whether Market Share Purchases or Off-Market Share Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Share Purchases, where relevant, and the total consideration paid for such Share Purchases; and

(vii) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares.

2.2.4 Maximum Purchase Price

(a) The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors.

(b) However, the purchase price to be paid for the Shares pursuant to the Share Purchase Mandate must not exceed:-

(i) in the case of a Market Share Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and

(ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price of the Shares,

(the "**Maximum Price**") in either case, excluding related expenses of the Share Purchase.

(c) For the above purposes, "Average Closing Price" means (i) the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, before the day on which the Market Share Purchase was made or, as the case may be, before the date of making an announcement by the Company of an offer for an Off-Market Share Purchase; and (ii) deemed to be adjusted for any corporate action that occurs after the relevant five-day period.

2.3 Status of Purchased Shares

Under Section 76B of the Act, any Share which is purchased shall, unless held as a Treasury Share, be deemed cancelled immediately on purchase, and all rights and privileges attached to that Share will expire on cancellation. All Shares purchased by the Company, unless held as Treasury Shares, will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Shares.

Certain of the provisions on Treasury Shares under the Act are summarised below:-

(a) Maximum Holdings

The number of Shares held as Treasury Shares shall not at any time exceed 10% of the total number of issued Shares. In the event that the aggregate number of Treasury Shares held by the Company exceeds the aforesaid limit, the Company shall dispose of or cancel the excess Treasury Shares within six months from the day the aforesaid limit is first exceeded.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings; and for the purposes of the Act, the Company shall be treated as having no right to vote in respect of Treasury Shares and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of the Treasury Shares. However, the allotment of Shares as fully paid bonus shares in respect of Treasury Shares is allowed.

Also, a subdivision or consolidation of any Treasury Share into Treasury Shares of a smaller amount is allowed so long as the total value of the Treasury Shares after the sub-division or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares purchased or acquired by the Company are held as Treasury Shares, the Company may at any time:-

(i) sell the Treasury Shares (or any of them) for cash;

(ii) transfer the Treasury Shares (or any of them) for the purposes of or pursuant to an employees' share scheme (including but without limitation to the Company's performance share plan);

(iii) transfer the Treasury Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the Treasury Shares (or any of them); or

(v) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister of Finance.

The Shares purchased under the Share Purchase Mandate will be held as Treasury Shares or cancelled by the Company taking into consideration the then prevailing circumstances and requirements of the Company at the relevant time.

In addition, under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of Treasury Shares, stating the following:

(a) date of the sale, transfer, cancellation and/or use;

(b) purpose of such sale, transfer, cancellation and/or use;

(c) number of Treasury Shares sold, transferred, cancelled and/or used;

(d) number of Treasury Shares before and after such sale, transfer, cancellation and/or use;

(e) percentage of the number of Treasury Shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and

(f) value of the Treasury Shares if they are used for a sale or transfer, or cancelled.

2.4 Source of Funds

The Company may only apply funds for the Share Purchases in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash and in the case of a Market Share Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Company intends to use internal sources of funds or external borrowings, or a combination of both, to finance its Share Purchases.

The Act stipulates that any purchases of Shares may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the Share Purchases is made out of profits, such consideration will correspondingly reduce the amount of profits available for the distribution of cash dividends by the Company. However, where the consideration paid by the Company for the Share Purchases is made out of capital, the amount of profits available for the distribution of cash dividends by the Company will not be reduced.

2.5 Financial Effects

The financial effects on the Company and the Group arising from the Share Purchases will depend on, *inter alia*, whether the Share Purchases are made by way of Market Share Purchases or Off-Market Share Purchases, the price paid for such Shares and whether the Shares are held in treasury or cancelled.

For illustrative purposes only, the financial effects on the Company and the Group arising from the Share Purchases, based on the audited financial statements of the Company and the Group for the financial year ended 31 March 2018 are prepared assuming the following:-

(a) the Share Purchases comprised 9,028,740 Shares (representing the maximum 10% allowed under the Share Purchase Mandate of 90,287,403 issued Shares (excluding Treasury Shares and subsidiary holdings) as at the Latest Practicable Date);

(b) in the case of Market Share Purchases, the Maximum Price was S$0.1659 (being 5% above the Average Closing Price prior to 31 March 2018) and accordingly, the maximum amount of funds (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) required for effecting such Market Share Purchases would amount to approximately S$1,497,867.97;

(c) in the case of Off-Market Share Purchases, the Maximum Price was S$0.1896 (being 20% above the Average Closing Price prior to 31 March 2018) and accordingly, the maximum amount of funds (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) required for effecting such Off-Market Share Purchases would amount to approximately S$1,711,849.10;

(d) the Share Purchases were made out of the Company's capital and profits as the Company has decided that any Share Purchases made under the Share Purchase Mandate for which approval is sought, will be made out of capital and profits;

(e) the Share Purchases took place on 31 March 2018 and the Shares purchased were:

  (i) cancelled; or

  (ii) held as Treasury Shares; and

(f) the Share Purchases were financed by internal source of funds.

A(i) Market Share Purchases

Assuming the purchased Shares are cancelled:-

	Group		Company	
	Before Share Purchases	After Share Purchases	Before Share Purchases	After Share Purchases
As at 31 March 2018	S$'000	S$'000	S$'000	S$'000
Share capital	50,913	49,415	50,913	49,415
Treasury shares	(99)	(99)	(99)	(99)
Other reserves	1,983	1,983	(354)	(354)
Accumulated losses	(2,209)	(2,209)	(11,278)	(11,278)
	50,588	49,090	39,182	37,684
Non-controlling interests	3,095	3,095	–	–
Total Equity	53,683	52,185	39,182	37,684
Current assets	34,929	33,431	39,833	38,335
Current liabilities	23,772	23,772	2,206	2,206
Non-current assets	76,056	76,056	1,555	1,555
Non-current liabilities	33,530	33,530	–	–
Net Asset Value (NAV)	53,683	52,185	39,182	37,684
Number of shares as at 31 March 2018 (excluding treasury shares)	90,287,403	81,258,663	90,287,403	81,258,663
Weighted average number of Shares as at 31 March 2018 (excluding treasury shares)				
- Basic	90,287,403	81,258,663	90,287,403	81,258,663
- Diluted	90,287,403	81,258,663	90,287,403	81,258,663
Financial Ratios				
NAV per share[1] (cents)	56.03	60.41	43.40	46.38
Gross debt gearing[2] (times)	0.94	0.97	–	–
Current ratio[3] (times)	1.47	1.41	18.06	17.38
EPS (cents)[4]				
- Basic	(0.14)	(0.16)	(2.04)	(2.27)
- Diluted	(0.14)	(0.16)	(2.04)	(2.27)

Notes:-

(1) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 March 2018.

(2) "Gross debt gearing" represents total borrowings divided by shareholders' funds after non-controlling interests.

(3) "Current ratio" represents current assets divided by current liabilities.

(4) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares as at 31 March 2018.

A(ii) Market Share Purchases

Assuming the purchased Shares are held as Treasury Shares:-

	Group		Company	
	Before Share Purchases	After Share Purchases	Before Share Purchases	After Share Purchases
As at 31 March 2017	S$'000	S$'000	S$'000	S$'000
Share capital	50,913	50,913	50,913	50,913
Treasury shares	(99)	(1,597)	(99)	(1,597)
Other reserves	1,983	1,983	(354)	(354)
Accumulated profit	(2,209)	(2,209)	(11,278)	(11,278)
	50,588	49,090	39,182	37,684
Non-controlling interests	3,095	3,095	–	–
Total Equity	53,683	52,185	39,182	37,684
Current assets	34,929	33,431	39,833	38,335
Current liabilities	23,772	23,772	2,206	2,206
Non-current assets	76,056	76,056	1,555	1,555
Non-current liabilities	33,530	33,530	–	–
Net Asset Value (NAV)	53,683	52,185	39,182	37,684
Number of shares as at 31 March 2018 (excluding treasury shares)	90,287,403	81,258,663	90,287,403	81,258,663
Weighted average number of Shares as at 31 March 2018 (excluding treasury shares)				
- Basic	90,287,403	81,258,663	90,287,403	81,258,663
- Diluted	90,287,403	81,258,663	90,287,403	81,258,663
Financial Ratios				
NAV per share[1] (cents)	56.03	60.41	43.40	46.38
Gross debt gearing[2] (times)	0.94	0.97	–	–
Current ratio[3] (times)	1.47	1.41	18.06	17.38
EPS (cents)[4]				
- Basic	(0.14)	(0.16)	(2.04)	(2.27)
- Diluted	(0.14)	(0.16)	(2.04)	(2.27)

Notes:-

(1) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 March 2018.

(2) "Gross debt gearing" represents total borrowings divided by shareholders' funds after non-controlling interests.

(3) "Current ratio" represents current assets divided by current liabilities.

(4) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares as at 31 March 2018.

B(i) Off-Market Share Purchases

Assuming the purchased Shares are cancelled:-

	Group		Company	
	Before Share Purchases	After Share Purchases	Before Share Purchases	After Share Purchases
As at 31 March 2017	S$'000	S$'000	S$'000	S$'000
Share capital	50,913	49,201	50,913	49,201
Treasury shares	(99)	(99)	(99)	(99)
Other reserves	1,983	1,983	(354)	(354)
Accumulated profit	(2,209)	(2,209)	(11,278)	(11,278)
	50,588	48,876	39,182	37,470
Non-controlling interests	3,095	3,095	–	–
Total Equity	53,683	51,971	39,182	37,470
Current assets	34,929	33,217	39,833	38,121
Current liabilities	23,772	23,772	2,206	2,206
Non-current assets	76,056	76,056	1,555	1,555
Non-current liabilities	33,530	33,530	–	–
Net Asset Value (NAV)	53,683	51,971	39,182	37,470
Number of shares as at 31 March 2018 (excluding treasury shares)	90,287,403	81,258,663	90,287,403	81,258,663
Weighted average number of Shares as at 31 March 2018 (excluding treasury shares)				
- Basic	90,287,403	81,258,663	90,287,403	81,258,663
- Diluted	90,287,403	81,258,663	90,287,403	81,258,663
Financial Ratios				
NAV per share[1] (cents)	56.03	60.15	43.40	46.11
Gross debt gearing[2] (times)	0.94	0.98	–	–
Current ratio[3] (times)	1.47	1.40	18.06	17.28
EPS (cents)[4]				
- Basic	(0.14)	(0.16)	(2.04)	(2.27)
- Diluted	(0.14)	(0.16)	(2.04)	(2.27)

Notes:-

(1) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 March 2018.

(2) "Gross debt gearing" represents total borrowings divided by shareholders' funds after non-controlling interests.

(3) "Current ratio" represents current assets divided by current liabilities.

(4) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares as at 31 March 2018.

B(ii) Off-Market Share Purchases

Assuming the purchased Shares are held as Treasury Shares:-

	Group		Company	
	Before Share Purchases	After Share Purchases	Before Share Purchases	After Share Purchases
As at 31 March 2017	S$'000	S$'000	S$'000	S$'000
Share capital	50,913	50,913	50,913	50,913
Treasury shares	(99)	(1,811)	(99)	(1,811)
Other reserves	1,983	1,983	(354)	(354)
Accumulated profit	(2,209)	(2,209)	(11,278)	(11,278)
	50,588	48,876	39,182	37,470
Non-controlling interests	3,095	3,095	–	–
Total Equity	53,683	51,971	39,182	37,470
Current assets	34,929	33,217	39,833	38,121
Current liabilities	23,772	23,772	2,206	2,206
Non-current assets	76,056	76,056	1,555	1,555
Non-current liabilities	33,530	33,530	–	–
Net Asset Value (NAV)	53,683	51,971	39,182	37,470
Number of shares as at 31 March 2018 (excluding treasury shares)	90,287,403	81,258,663	90,287,403	81,258,663
Weighted average number of Shares as at 31 March 2018 (excluding treasury shares)				
- Basic	90,287,403	81,258,663	90,287,403	81,258,663
- Diluted	90,287,403	81,258,663	90,287,403	81,258,663
Financial Ratios				
NAV per share[1] (cents)	56.03	60.15	43.40	46.11
Gross debt gearing[2] (times)	0.94	0.98	–	–
Current ratio[3] (times)	1.47	1.40	18.06	17.28
EPS (cents)[4]				
- Basic	(0.14)	(0.16)	(2.04)	(2.27)
- Diluted	(0.14)	(0.16)	(2.04)	(2.27)

Notes:-

(1) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 March 2018.

(2) "Gross debt gearing" represents total borrowings divided by shareholders' funds after non-controlling interests.

(3) "Current ratio" represents current assets divided by current liabilities.

(4) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares as at 31 March 2018.

The financial effects set out above are purely for illustrative purposes only. Although the proposed Share Purchase Mandate would authorise the Company to buy back up to 10% of the total number of issued Shares (excluding Treasury Shares and subsidiary holdings) as at the date that the Share Purchase Mandate is obtained, the Company may not necessarily buy back or be able to buy back 10% of the total number of issued Shares (excluding Treasury Shares and subsidiary holdings) in full.

2.6 Listing Rules

Under the listing rules of the SGX-ST, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than 5% above the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made and deemed to be adjusted for any corporate action that occurs after the relevant five-day period. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.2.4(b) above, conforms to this restriction.

The listing rules of the SGX-ST specify that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement must include details of the date of the purchases of the shares, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, and the cumulative number of shares purchased. Such announcement will be made in the form prescribed by the Listing Manual.

While the listing rules of the SGX-ST do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in observing the best practices recommended in the Listing Manual on securities dealings, the Company will not purchase or acquire any Shares through Market Purchases during the period of 2 weeks immediately preceding the announcement of the Company's quarterly results or 1 month immediately preceding the announcement of the Company's full-year results, as the case may be, and ending on the date of announcement of the relevant results.

2.7 Listing Status on the SGX-ST

The Company is required under rule 723 of the SGX-ST Listing Manual to ensure that at least 10% of its issued Shares (excluding treasury shares and subsidiary holdings) are in the hands of the public. The "public", as defined in the Listing Manual, are persons other than the Directors, Chief Executive Officer, Substantial Shareholders and Controlling Shareholders of the Company and its Subsidiaries, as well as the Associates of such persons.

As at the Latest Practicable Date, there were approximately 39,254,639 issued Shares in the hands of the public (as defined above), representing approximately 43.48% of the issued Shares (excluding Treasury Shares and subsidiary holdings) of the Company. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate from the public, the number of issued Shares in the hands of the public would be reduced to 30,225,899 Shares, representing approximately 33.24% of the total number of issued Shares of the Company.

In view of the foregoing, the Company is of the view that there is, at present, a sufficient number of Shares in public hands that would permit the Company to potentially undertake purchases of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without:

(a) affecting adversely the listing status of the Shares on the SGX-ST;

(b) causing market illiquidity; or

(b) affecting adversely the orderly trading of Shares.

2.8 Tax Implications

Shareholders who are in doubt as to their respective tax positions or the tax implications of Share Purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.9 Implications of Take-over Code

If as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of The Singapore Code on Take-overs and Mergers (the "**Take-over Code**"). If such increase results in a change in control, or as a result of such increase a Shareholder or group of Shareholders acting in concert obtain or consolidate control, it may in certain circumstances give rise to an obligation on the part of such Shareholder or Shareholders to make a take-over offer under rule 14 of the Take-over Code.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase of Shares by the Company are set out in Appendix 2 ("**TOC Appendix 2**") of the Take-over Code.

In relation to Directors and persons acting in concert with them, rule 14 of the Take-over Code provides that unless exempted (or if exempted, such exemption is subsequently revoked), Directors and persons acting in concert with them will incur an obligation to make a take-over offer if, as a result of a purchase of Shares by the Company:-

(a) the percentage of voting rights held by such Directors and their concert parties in the Company increases to 30% or more; or

(b) if they together hold between 30% and 50% of the Company's voting rights, their voting rights increase by more than 1% in any period of 6 months.

Under TOC Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate control of that company. Unless the contrary is established, the following persons, inter alia, will be presumed to be acting in concert: (i) a company with any of its directors; and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other. For this purpose, ownership or control of 20% or more of the voting rights of a company will be regarded as the test of associated company status.

Based on the shareholdings of the Directors and the substantial Shareholders in the Company as at the Latest Practicable Date, none of the Directors nor the substantial Shareholders will become obligated to make a mandatory offer by reason only of the share buyback of 9,092,200 Shares by the Company pursuant to the Share Buyback Mandate.

Exemption under Appendix 2 of the Take-over Code

Section 3(a) of Appendix 2 of the Take-over Code provides, *inter alia*, that for a market acquisition under section 76E of the Act or an off-market acquisition on an equal access scheme under section 76C of the Act by a listed company, directors and persons acting in concert with them will be exempted from the requirement to make a general offer for the Company under rule 14.1 of the Take-over Code, subject to the following conditions:

(a) the circular to shareholders on the resolution to authorise a buy-back to contain advice to the effect that by voting for the buy-back resolution, shareholders are waiving their right to a general offer at the required price (as defined hereinafter) from directors and parties acting in concert with them who, as a result of the Company buying back its Shares, would increase their voting rights to 30% or more, or, if they together hold between 30% and 50% of the Company's voting rights, would increase their voting rights by more than 1% in any period of 6 months; and the names such directors and persons acting in concert with them, their voting rights at the time of the resolution and after the proposed buy-back to be disclosed in the same circular;

(b) the resolution to authorise a share buy-back to be approved by a majority of those shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the share buy-back;

(c) the directors and/or persons acting in concert with them to abstain from voting for and/or recommending shareholders to vote in favour of the resolution to authorise the share buy-back;

(d) within 7 days after the passing of the resolution to authorise a buy-back, each of the directors to submit to the SIC a duly signed form as prescribed by the Securities Industry Council (the "**SIC**");

(e) directors and/or persons acting in concert with them not to have acquired and not to acquire any shares between the date on which they know that the announcement of the share buy-back proposal is imminent and the earlier of:

    (i) the date on which the authority of the share buy-back expires; and

    (ii) the date on which the Company announces it has bought back such number of Shares as authorised by shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be, if such acquisitions, taken together with the buy-back, would cause their aggregate voting rights to increase to 30% or more; and

(f) directors and/or persons acting in concert with them, together holding between 30% and 50% of the company's voting rights, not to have acquired and not to acquire any shares between the date on which they know that the announcement of the share buy-back proposal is imminent and the earlier of:

    (i) the date on which the authority of the share buy-back expires; and

    (ii) the date on which the Company announces it has bought back such number of Shares as authorised by shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the buy-back, would cause their aggregate voting rights to increase by more than 1% in the preceding 6 months.

It follows that where aggregate voting rights held by a director and persons acting in concert with him increase by more than 1% solely as a result of the share purchase and none of them has acquired any shares during the relevant period defined above, then such director and/or persons acting in concert with him would be eligible for SIC's exemption from the requirement to make a general offer under rule 14, or where such exemption had been granted, would continue to enjoy the exemption.

"Required price" means in relation to the offer required to be made under the provisions of rule 14.1 of the Take-over Code, the highest of the highest price paid by the offerors and/or person(s) acting in concert with them for the Company's Shares (i) during the offer period and within the preceding six (6) months, (ii) acquired through the exercise of instruments convertible into securities which carry voting rights within six months of the offer and during the offer period, or (iii) acquire through the exercise of rights to subscribe for, and options in respect of, securities which carry voting rights within six months of the offer or during the offer period; or at such price as determined by SIC under rule 14.3 of the Take-over Code.

The Directors are not aware of any Shareholder or group of Shareholders acting in concert who may become obligated to make a mandatory offer in the event the Directors exercise the power to purchase Shares pursuant to the Share Purchase Mandate.

Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity.

2.10 Reporting Requirements

Within 30 days of the passing of the Shareholders' resolution to approve the proposed Share Purchase Mandate, the Directors shall lodge a copy of such resolution with the Registrar of Companies (the "**Registrar**").

The Directors shall lodge with the Registrar a notice of Share Purchase within 30 days of a share purchase. Such notification shall include the date of the purchase, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase, the amount of consideration paid by the Company for the purchase and such other particulars as may be required in the prescribed form.

Within 30 days of the cancellation or disposal of Treasury Shares in accordance with the provisions of the Act, the Directors shall lodge with the Registrar the notice of cancellation or disposal of Treasury Shares in the prescribed form.

2.11 Share Purchases in the Previous 12 Months

The Company purchased a total of 634,600 Shares in the 12 months preceding the Latest Practicable Date at a range of between S$0.108 to S$0.207 per Share. The total consideration paid was S$100,201. These Shares are held in treasury.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of Directors and Substantial Shareholders as at the Latest Practicable Date, as recorded in the Company's Register of Directors' Shareholdings and the Register of Substantial Shareholders respectively, are set out below:

	Direct Interest		Deemed Interest	
	No. of Shares	%[1]	No. of Shares	%[1]
Directors				
Li Hua	3,738,700	4.14	–	–
Nah Ee Ling	1,811,632	2.01	–	–
Weng Huixin	–	–	19,966,833	22.11
Yip Mun Foong James	156,250	0.17	–	–
Goh Chong Theng	–	–	–	–
Substantial Shareholders (other than Directors)				
Precious Stream Holdings Limited	–	–	12,800,000	14.18
Oon Koon Cheng	13,157,894	14.57	–	–
Bestway Premium Investments Pte Ltd	7,301,455	8.09	–	–
Joshua Huang Thien En	4,900,000	5.43	–	–

Notes:

1. The percentage is calculated based on the total issued and paid-up share capital of 90,287,403 Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.

2. Weng Huixin is deemed interested in the Company's shares held by Precious Stream Holdings Limited, which is a company wholly owned by Weng Huixin. The shares are registered in the name of DBS Vickers Securities (S) Pte Ltd. Out of the 19,966,833 Shares, 7,166,833 Shares is held by Weng Huixin under DBS Vickers Securities (S) Pte Ltd and 12,800,000 Shares held by Precious Stream Holdings Limited, under DBS Vickers (Securities) Pte Ltd.

None of the Directors or Controlling Shareholders has any interest, direct or indirect in the proposed renewal of the Share Purchase Mandate.

4. DIRECTORS' RECOMMENDATION

Having considered the rationale for the proposed renewal of Share Purchase Mandate, the Directors are of the opinion that the renewal of the Share Purchase Mandate is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 8 to approve the proposed renewal of the Share Purchase Mandate.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

5.1 Shareholders who are unable to attend the 2018 AGM and wish to appoint a proxy to attend and vote at the 2018 AGM on their behalf must complete, sign and return the proxy form attached to the Annual Report 2018 in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's registered office at 38 Beach Road, South Beach Tower #29-11 Singapore 189767, not less than 48 hours before the time fixed for the 2018 AGM.

5.2 The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the 2018 AGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

5.3 A Depositor shall not be regarded as a Shareholder entitled to attend the 2018 AGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the 2018 AGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the subject matters of this Appendix, the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 38 Beach Road #29-11 South Beach Tower Singapore 189767, during normal business hours from the date of this Appendix up to and including the date of the 2018 AGM:

(a) the Memorandum of Association and Articles of Association of the Company; and

(b) the Annual Report of the Company for FY2018.

Yours faithfully

For and on behalf of the Board
USP Group Limited

Li Hua
Executive Chairman and Chief Executive Officer