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

Response to Queries from a Substantial Shareholder

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 one of our substantial shareholders ("**the said shareholder**") on 2 July 2020.

The Company received a request from the said shareholder to withdraw the Share Mandate Proposals at the upcoming EGM on 13 July 2020.

The Share Mandate Proposals are:

a. The authority to allot and issue shares
b. The authority to grant award and/or issue shares under the Performance Share Plan;
c. The proposed adoption of the share purchase mandate

The said shareholder is of the view that if the objective of the Share Mandate Proposals is to enable the Company to raise funds for its capital expenditure, he prefers that the Group does it by way of a rights issue. He then questioned the good faith of the Share Mandate Proposals and that he has reasons to believe that there are motives to prejudice his right as a substantial shareholder in the Company.

The Board appreciates his concerns in this matter and wish to assure the members of the Company that the Board has absolute good faith in this matter. The Board shall explain this in the following paragraphs.

The Board believes that out of the three (3) proposals of the Share Mandate Proposals, the most pressing one to the said shareholder or any shareholder would be the authority to grant or issue shares under the Performance Share Plan.

Recently, in view of the Covid-19 situation and the Group's difficult financial situation, the Group carried out a firm-wide cost-cutting exercise ("**the cost-cutting exercise**"). Due to the cost-cutting exercise, the Group would be able to cut down costs and expenses up to $1 million per year. The cost-cutting exercise is a permanent feature and would remain even after the Covid-19 pandemic. The Board cushions its impact with a bonus-sharing scheme whereby every employee of the Group would be entitled to share any profits the Group manage to achieve over a set "ROI".

The Board is proud to announce that most of the employees of the Group from Singapore, Malaysia and Indonesia voluntarily accepted a pay cut of between 10 to 30%. The top management level led by example and accepted a pay cut of 30%, followed by the managers who took a 20% pay-cut and the remaining staff of about 10 to 15% pay-cut. This cost-cutting exercise is bringing positive results and tremendous team spirit within the Group.

In view of the sacrifices made to the Group by the employees, the Board wishes to reciprocate by rewarding the employees in issuing bonus shares.

The Board assures that none of the officer bearers who are also substantial shareholders will be receiving any shares in this exercise.

The Board have done this to show absolute good faith in the exercise, and to ensure that no substantial shareholders are prejudiced in any manner. Assuming the Company decides to raise fund by way of a rights issue, it would still require the Share Mandate Proposal on the authority to allot and issue shares to be valid.

The Board will inform the SGX of this concern raised by the said shareholder, for SGX's information and consideration, and will follow SGX's advice, if any.

For and on behalf of USP Group Limited

Tanoto Sau Ian
Executive Director and Chief Executive Officer
3 July 2020