

PROPOSED DISPOSAL OF PROPERTY AT 16A JOO KOON CIRCLE

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of USP Group Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary, Supratechnic Pte. Ltd. (the “**Vendor**”), has, on 22 November 2022, granted an option to purchase (the “**OTP**”) to Liang & How Contractor Pte. Ltd. (the “**Purchaser**”) to purchase the Vendor’s property at 16A Joo Koon Circle, Singapore 629048 (the “**Property**”) on the terms and conditions set out in the OTP (the “**Proposed Disposal**”).
- 1.2 The Proposed Disposal constitutes a major transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Listing Manual**”).
- 1.3 The Company has applied for and obtained waivers from compliance with Rule 1014(2) and Rule 1019(1) of the Listing Manual (the “**Waivers**”) in relation to the Proposed Disposal, in lieu of seeking approval of the shareholders of the Company (“**Shareholders**”) for the Proposed Disposal at an extraordinary general meeting (“**EGM**”) to be convened.

2. MATERIAL TERMS OF THE PROPOSED DISPOSAL

- 2.1 The OTP is to be exercised by the Purchaser by signing and delivering the OTP and paying the Deposit (as defined below) and the GST thereon to the Vendor and/or United Overseas Bank Limited (the “**Vendor’s Mortgagee**”). The OTP expires on 6 December 2022 (“**Expiry Date**”). If the OTP is not exercised by the Purchaser in the manner stipulated in the OTP or by the Expiry Date, it shall be forfeited and the Option Fee (as defined below) and any goods and services tax (“**GST**”) thereon shall be forfeited to the Vendor absolutely.
- 2.2 The parties agree that, upon the Purchaser’s exercise of the OTP (the “**Exercise Date**”), the OTP shall constitute a binding contract for the sale and purchase of the Property at the Consideration (as defined below) and no further contracts or agreements shall be signed.
- 2.3 **Consideration and Valuation**
- 2.3.1 The consideration for the Property is **Singapore Dollars Five Million and Three Hundred Thousand (S\$5,300,000)** exclusive of GST (the “**Consideration**”).
- 2.3.2 For the purposes of disposing the Property, the Company commissioned RHT Valuation Pte Ltd (the “**Independent Valuer**”), an independent valuer, to perform a valuation of the Property. Based on the valuation conducted by the Independent Valuer, the fair market value of the Property, as at 31 March 2022, is approximately Singapore Dollars Five Million and Four Hundred Thousand (S\$5,400,000) (the “**Valuation**”). The “Comparable Sales” method was adopted as the basis of the Valuation, whereby a comparison is made with recent transactions of similar properties within the vicinity, and adjustments are made for differences in location, land area, land shape, floor area, age, condition, floor loading, ceiling height, tenure, design and layout, dates of transaction and the prevailing economic conditions affecting the property market.

- 2.3.3 The Consideration, which was determined at arm's length on a willing buyer-willing seller basis, was arrived at taking into account the Valuation and the prevailing economic conditions.
- 2.3.4 As at the date of this announcement, and in accordance with the terms of the OTP, a sum of S\$53,000 (representing approximately one percent (1.00%) of the Consideration) (the "**Option Fee**") was paid by the Purchaser to United Overseas Bank Limited, being the Vendor's mortgagee.
- 2.3.5 Upon exercise of the OTP, a deposit of S\$265,000 (the "**Deposit**") together with GST will be paid to the Vendor and/or Vendor's Mortgagee. The balance Consideration together with GST will be paid to the Vendor and/or Vendor's Mortgagee upon completion of the Proposed Disposal under the OTP ("**Completion**").

2.4 **Conditions Precedent**

Completion of the Proposed Disposal is conditional upon, amongst other things, the in-principle approval from Jurong Town Corporation ("**JTC**") for the Vendor to sell and the Purchaser to purchase the Property (the "**In-Principle Approval**") and where applicable, the relevant government authorities (collectively, the "**Authorities**") required by JTC for the use of the Property for "Storage and fitting out work for power and telecommunication Cable system".

2.5 **Completion**

Subject to the provisions of the OTP, Completion shall occur either (a) within eight (8) weeks from the date of the Vendor's receipt of the In-Principle Approval from JTC, (b) if JTC requires an environmental baseline study, within four (4) weeks of JTC's satisfactory clearance of the same, or (c) within four (4) weeks from JTC's satisfactory clearance on any decontamination works (if required), whichever is latest (the "**Completion Date**").

2.6 **Taxes**

The Consideration and other sums (if any) payable by the Purchaser in connection with the Proposed Disposal shall be exclusive of any applicable goods and services tax, imposition, duty and levy whatsoever.

2.7 **State and Condition**

2.7.1 The Property shall be sold on an "as is, where is" basis as at the date of the OTP and as at the Completion Date, and the Purchaser shall accept vacant possession of the Property at Completion.

2.7.2 The Property is sold subject to:

- (a) any scheme, layout, proposal, backlane, road widening drainage reserve, reserve, reserve line, matter or thing embodied in the General Improvement Plan, the Master Plan, the Road Line Plan, the Railway Protection Plan, the Drainage Interpretation Plan, the Sewage Interpretation Plan and all proposed amendments or additions thereto;
- (b) all road and backlane reserve widening proposals or schemes (whether adopted safeguarded or otherwise) and all drainage reserve widening proposals or schemes affecting the Property regardless of whether such reserve widening proposal or scheme is to be implemented presently or only if there is redevelopment of the Property; and
- (c) the use of the Property as currently approved by the Authorities,

whether such or any scheme layout, matter, thing, road reserve, drainage reserve, proposal, scheme, notices, charges, demands, orders and/or claims are made imposed, levied or served before on or after the date of the OTP.

3. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS

3.1 Rationale

The Property has been mortgaged to the Vendor's Mortgagee under a mortgage executed by the Vendor in favour of the Vendor's Mortgagee (the "**Mortgage**"). The Board is of the view that the Proposed Disposal is in the best interests of the Group as it will allow the Group to redeem the Mortgage as well as reduce the Vendor's Outstanding Trade Financing (as defined below) and other Outstanding Bank Loans (as defined below).

3.2 Use of Proceeds

The Group estimates that there will be net proceeds of approximately S\$5,188,000, arising from the Proposed Disposal, being the Consideration less estimated transactional expenses, of approximately S\$112,000 (the "**Net Proceeds**"). The Net Proceeds shall be transferred to the Vendor's Mortgagee for the purposes of repaying the Vendor's Outstanding Trade Financing and the Defaulted Bank Loans.

4. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL

4.1 Based on the latest unaudited consolidated financial statements of the Group for the latest financial period ended 30 June 2022 ("**FY2023**") (the "**Unaudited FS2023**"), the relative figures in relation to the Proposed Disposal computed on the bases as set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	The asset value of the assets to be disposed of, compared with the group's net asset value.	18.32 ¹
(b)	The net profits / losses attributable to the assets acquired or disposed of, compared with the group's net profits / losses.	Not applicable ²
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	74.31 ³
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in use.	Not applicable ⁴
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the SGX-ST may permit valuations to be used instead of volume or amount.	Not applicable ⁵

Notes

- (1) Computed based on the net asset value of the Property (being S\$5,467,000) and the net asset value of the Group (being S\$29,847,000, as of 30 June 2022).
 - (2) This basis is not applicable as no profits or losses are attributable to the Property because it is not being rented out and no income is being generated from the Property.
 - (3) Computed based on the Consideration (being S\$5,300,000) and the Company's market capitalisation of S\$7,132,705. The Company's was determined by multiplying 90,287,403 Shares (as defined below) by the volume weighted average price of S\$0.079 on 21 November 2022, being the last traded market day immediately preceding the date of the OTP.
 - (4) This basis is not applicable as there will be no issuance of equity securities by the Company in relation to the Proposed Disposal.
 - (5) This basis is not applicable as the Proposed Disposal does not comprise of mineral, oil and/or gas assets.
- 4.2 Pursuant to Rule 1014 of the Listing Manual, where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20%, the transaction shall be classified as a major transaction which must be made conditional upon approval by Shareholders in general meeting.
- 5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**
- 5.1 The financial figures set out below are for illustrative purposes only and do not necessarily reflect actual financial results and/or performance of the Group after the Proposed Disposal. No representation is made as to the actual financial results and/or position of the Group after the completion of the Proposed Disposal.
- 5.2 The following financial effects of the Proposed Disposal are computed based on the following bases and assumptions:
- 5.2.1 the financial effect on the Company's net tangible assets ("**NTA**") per share in the capital of the Company ("**Share**") is based on the assumption that the Proposed Disposal had been effected on 31 March 2022 (being the end of FY2021); and
 - 5.2.2 the financial effect on the earnings per Share ("**EPS**") is computed based on the assumption that the Proposed Disposal had been effected on 1 April 2022 (being the beginning of the current financial year of the Group).

NTA per Share

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	29,431	29,264
Number of Shares (excluding treasury shares) ('000)	90,287	90,287
NTA per Share (S\$ cents)	32.60	32.41

EPS

	Before the Proposed Disposal	After the Proposed Disposal
Profit after taxation attributable to shareholders (S\$'000)	7,238	7,071
Weighted average number of Shares (excluding treasury shares) ('000)	90,287	90,287
EPS (S\$ cents)	8.02	7.83

5.3 Based on the Unaudited FS2023, the book value of the Property is approximately S\$5,467,000.

5.4 Based on the Unaudited FS2022, the NTA value of the Property is approximately S\$167,000.

5.5 Based on the Unaudited FS2023, the net profit (before tax) attributable to the Property for FY2022 is nil.

5.6 Based on the book value of the Property as set out in paragraph 5.3 above, there is a deficit of approximately S\$167,000 of the Consideration over the said book value.

6. WAIVERS FROM RULE 1014(2) and RULE 1019(1)

6.1 Application to the SGX-ST

- (a) The Company had on or about 19 August 2022 submitted an application for the Waivers to SGX-ST.
- (b) The SGX-ST had, on 18 November 2022, informed the Company that it had no objection to the Company's application for the Waivers, subject to the Company announcing that the Waivers have been granted, the reasons for seeking the Waivers, the conditions as required under Rule 107 of the Listing Manual and if the conditions for the Waivers have been satisfied. If the Waivers conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met.
- (c) As of the date of this announcement, the afore-mentioned conditions for the Waivers have been satisfied.

6.2 Grounds for the Waivers

- (a) Repayment of outstanding trade facilities and defaulted bank loans

The previous boards and management of the Company had caused the Vendor to drawdown approximately S\$9 million in trade financing ("**Vendor's Outstanding Trade Financing**") and failed to reduce the financing charges imposed on the Group. Further, the previous boards and management of the Company had caused the Group to default on outstanding bank loans of approximately S\$1.67 million due to the Group's principal banker, the Vendor's Mortgagee (the "**Defaulted Bank Loans**").

As mentioned above at paragraph 3.2, the Net Proceeds shall be transferred to the Vendor's Mortgagee for the purposes of repaying the Vendor's Outstanding Trade Financing and the Defaulted Bank Loans.

Accordingly, the Vendor's Outstanding Trade Financing and the Defaulted Bank Loans would be reduced significantly upon Completion.

- (b) The Property may otherwise be subject to a mortgagee sale

The Property is currently mortgaged in favour of the Vendor's Mortgagee. As such, and due to the Defaulted Bank Loans, the Vendor's Mortgagee is entitled to exercise its rights pursuant to the Mortgage which include but are not limited to a power of sale in the event of default.

The Vendor's Mortgagee has on various occasions indicated its intention to seek foreclosure of the Property to settle the outstanding amounts owed by the Group to the Vendor's Mortgagee under the Vendor's Outstanding Trade Financing and the Defaulted Bank Loans.

However, in the event that such actions are taken out by the Vendor's Mortgagee and the Property is disposed at a distressed sale price, the amount of the said distressed sale price will be less favourable than the Consideration in the open market.

Further, the Vendor's Mortgagee still has the right to exercise its power of sale pursuant to the terms of the Mortgage notwithstanding that Shareholders' approval is not granted for the Proposed Disposal.

- (c) No prejudice to Shareholders

The Waivers do not prejudice the Shareholders. For the reasons set out above at paragraph 6.2(a) and paragraph 6.2(b), strict compliance with Rule 1014(2) and Rule 1019(1) of the Listing Manual may jeopardise the Proposed Disposal.

- (d) No material changes in the risk profile of the Group

There will not be any material change in the risk profile of the Group arising from the Proposed Disposal. The Proposed Disposal will not result in a material change to the nature of the Group's core business and operations as the Vendor will be shifted to other premises owned by another subsidiary of the Group.

- (e) Costs-saving

With the Waivers, the Company shall be able to save significant costs.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or controlling shareholders of the Company or their respective associates has any direct or indirect interest in the Proposed Disposal, other than their respective shareholdings in the Company.

8. NO SERVICE AGREEMENT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered between the Company and any such person in connection with the Proposed Disposal.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts on the Proposed Disposal, the Company and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement 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 this announcement in its proper form and context.

10. DOCUMENTS FOR INSPECTION

Copies of the OTP and Valuation are available for inspection during normal business hours for a period of three (3) months commencing from the date of this announcement at the registered office of the Company at 1 Harbourfront Avenue, #14-07, Keppel Bay Tower, Singapore 098632.

11. FURTHER ANNOUNCEMENTS

The Company will provide further updates on the Proposed Disposal as and when there are material developments.

12. CAUTION IN TRADING

Shareholders and potential investors of the Company are advised to read this announcement and the other announcements by the Company carefully. Shareholders are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

USP Group Limited

Tanoto Sau Ian
Chief Executive Officer, Managing and Executive Director
22 November 2022