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

CIRCUMSTANCES LEADING TO THE EXTRAORDINARY GENERAL MEETING ("EGM") HELD ON 8 MAY 2017

MR HUANG'S AMENDED CIRCULAR AND RESPONSE TO CONCERNS RAISED BY MR HUANG

Introduction

The Board would like to update the shareholders with respect to the circumstances leading up to the EGM held on 8 May 2017 and the events following so that the shareholders have sufficient background information at the adjourned EGM on 24 May 2017.

Acquisition of Supratechnic Pte Ltd

Shareholders may recall that the Company announced that it was in negotiation with Supratechnic Pte Ltd ("Supratechnic") and its shareholders to invest in Supratechnic through the acquisition and/or subscription by the Company of shares in Supratechnic in September 2015. The Company announced on 11 March 2016 that the acquisition of Supratechnic was completed.

Mr Joshua Huang Thien En ("Mr Huang") was one of the Management Vendors named in the Share Purchase Agreement ("SPA"). Mr Huang was then the Managing Director of Supratechnic. Under the SPA, among other things, Mr Huang received 49,000,000 shares (or 4,900,000 shares after the share consolidation exercise) (the "Consideration Shares").

Pursuant to the SPA, the Company shall have the right to purchase up to 50% of the Consideration Shares issued to Mr Huang on the date falling on the first anniversary of the Completion Date, i.e. 11 March 2017 at S$0.50 (post-consolidation price). As the current price of the Company is less than S$0.50, the Company did not exercise its rights.

Acquisition of SG Support Service Pte Ltd

On 16 January 2015, the Company, then known as Unionmet (Singapore) Pte Ltd, announced that USP Industrial ("USPI"), a wholly owned subsidiary of the Company, had entered into a non-binding memorandum of understanding with SG Support Services Pte Ltd ("SGSS") in relation to the acquisition of a 49% stake in SGSS from its major shareholder, Mr Teng Choon Fong ("Mr Teng"). USPI entered into a conditional share purchase agreement with Ms Joanna Loh Lai Chin ("Ms Loh", as the vendor) and Mr Teng (as the warrantor) on 30 April 2015.

Mr Teng was the major shareholder of SGSS, holding 51% and also the Managing Director responsible for the day to day running of the business of SGSS.

Requisition for EGM by Mr Teng and Mr Huang

On or about 31 January 2017, Mr Teng and Mr Huang jointly wrote to the Board to request the appointment of Mr Lim Min Hai ("Mr Lim") as a director of the Company (the "31 January Letter"). On 7 February 2017, based on the recommendation of the nomination committee, the Board decided not to appoint Mr Lim and replied to Mr Teng and Mr Huang.

The Company announced on 13 February 2017 that the Company had, on 10 February 2017 received a letter dated 10 February 2017 ("Requisition Letter") from Mr Teng and Mr Huang requesting the Company to convene an EGM. Under Section 176(1) of the Companies Act (Cap 50), the Company has up to 2 months after the receipt of the Requisition Letter to convene an EGM, i.e. up to 9 April 2017.

However, on or around 15 March 2017, Mr Huang wrote a letter to the Board through his solicitors, Legal Standard LLP ("Legal Standard"), informing his intentions to call the EGM, citing his rights under Section 176(3) of the Companies Act (Cap 50).

Accordingly, the Company made an announcement on 16 March 2017. At the same time, the Company sought legal advice on this requisition by Mr Huang.

On 17 March 2017, the Company, through its solicitors requested the Requisitioning Members to provide documents directly evidencing both Mr Huang's and Mr Teng's shareholding. After much delay, Mr Huang provided his CDP statement to the Company through Legal Standard. However, Legal Standard did not provide any evidence of shareholding for Mr Teng.

The Company was curious why Legal Standard only provided evidence of shareholding for Mr Huang's and not for Mr Teng's since the Requisition Letter was signed by both of them. The Company only found out, on or about 11 April 2017, that Legal Standard no longer represent Mr Teng.

Mr Huang's Circular

Please refer to the Company's announcement made on 19 May 2017 regarding the circular prepared by Mr Huang.

Mr Huang's Absence at the EGM

The Company and shareholders who attended the EGM on 8 May 2017, noted that Mr Huang did not provide any copies of the Circular which he proposed to distribute to shareholders.

Even more intriguing was the fact that Mr Huang himself was not present in person at the EGM convened by himself. If Mr Huang was sincere and genuine about his concerns and serious about the resolutions that he proposed for the EGM, why he was not present to explain the same to the shareholders?

As an alternative, the chairman of the meeting allowed, upon the request of Ms Emma Leong (who was the proxy for Mr Huang and works in Legal Standard), an adjournment of the meeting in order for her to return to the office of Legal Standard to obtain copies of the Circular for

distribution to the shareholders. After the 45-minute adjournment, Ms Emma Leong came back empty handed.

Ms Emma Leong was informed that she only had to make 40 copies of the Circular. Further**,** her office was only a short walk from the EGM venue. The Company and shareholders who attended were surprised that Legal Standard could not make "sufficient copies" of the Circular within the 45 minutes.

Different Versions of Circular

On 9 May 2017, Mr Huang came up with a revised circular that contained material changes compared to the original circular, but no explanation was given for these changes. It is also worth highlighting that Ms Emma Leong did not inform the shareholders that Mr Huang planned to change the circular at the EGM, which was conducted the day before on 8 May 2017. On 12 May 2017, Mr Huang's solicitors provided another version of the circular. On 16 May 2017, Mr Huang's solicitors sent to the Company a fourth version of the circular.

Please refer to the Company's announcement dated 19 May 2017.

The Court Ruled in favour of the Company

On 18 May 2017, Mr Huang filed an application with the Court to, inter alia, compel the Company to (i) postpone the EGM to 26 June 2017; and (ii) circulate one of the versions of his circular.

As announced on 20 May 2017, the Honourable Court did not grant Mr Huang's application to postpone the EGM. The Court ordered the adjourned EGM scheduled for 24 May 2017 to proceed as scheduled.

In addition, the Court did not compel the Company to circulate the revised version of the circular. Instead, the Court ordered the Plaintiff (being Mr Huang) that amendments to be made to Mr Huang's circular dated 12 May 2017 ("**Amended Circular**") and for the Company to release the Amended Circular on SGX-NET by Saturday 20 May 2017.

Company's Response to Concerns Raised by Mr Huang

The Company shall now release the Amended Circular (in Annex A) and our response to the concerns raised (in Annex B).

By order of the Board

Li Hua
Executive Chairman
USP Group Limited
20 May 2017

ANNEX A
(Amended Circular – 9 Pages in Total)

12 May 2017

Dear Fellow Shareholders,

REASONS FOR REQUISITIONING AN EXTRAORDINARY GENERAL MEETING (THE "EGM")

1. I refer to the Requisition Notice dated 10 February 2017 to convene an EGM issued by Mr Teng Choon Fong ("**Mr. Teng**") and Mr Joshua Huang Thien En ("**Mr. Huang**"), as registered members of the Company, pursuant to Section 176(1) of the Companies Act (Cap. 50) of Singapore (the "**CA**"), for the purpose of considering, and if thought fit, the passing of the following ordinary resolutions:

   a. To remove Mr Li Hua and Mr Raphael Tham Wai Mun as Directors of USP; and
   b. To appoint Mr Lim Min Hai ("**Mr. Lim**") as a Director of USP.

2. Please see **Annex A** for a copy of the Requisition Notice, and **Annex B** for *inter alia* Mr Lim's curriculum vitae.

3. At the date of the Requisition Notice, 10 February 2017, Mr Teng and Mr Huang hold 11.1% in aggregate of the total number of issued shares in USP, thus meeting the requirement of the requisitioning shareholders holding not less than 10.0% of the total number of issued shares of USP, pursuant to Section 176(1) of the CA.

4. In breach of Section 176(1) of the CA, the Board of Directors (the "**Board**") of USP failed to convene an EGM within two (2) months after the date of the Requisition Notice.

5. Pursuant to Section 176(3) of the CA, I, Mr. Huang, holding a majority of the Requsitionists' total number of issued shares in USP, have proceeded to convene the EGM in the best interest of USP.

6. There is an urgent need to seek accountability from the Board for events that occurred during their tenure.

Initial Appointment of USP's Board

7. Save for Mdm Weng Huixin, the current four board members were appointed on 29 July 2013 after Asia Capital Group Pte Ltd ("**AC**") purchased 29% voting shares from one Zeng Fuzu, the former Chairman of USP.

8. On 27 September 2013, Mdm Weng Huixin acquired a BVI incorporated company named Precious Stream Holdings Ltd ("**PS**") from a former director, Huang Guozhi, giving her a stake of 7.78% voting shares.

9. Approximately 6 months after AC's initial purchase, it liquidated all its stake on 13 January 2014. PS purchased 20.85% from AC giving it 28.65% voting rights. Mr Li Hua also purchased his first direct stake of 0.29% on this date.

10. I seek clarification on:

a. PS's acquisition of 7.78% of voting shares at US$1 consideration from a former director;

b. The discrepancy in the consideration/ purchase price between PS (the buyer) who reported it at "US$1" and Mr Huang Guozhi (the seller) who reported it as "N.A."; and

c. Why no general offer was made when 2 former directors and controlling/substantial shareholders sold their stakes, within 2 months of each other, amounting to 36.78%.

Disposal of USP's former subsidiaries GIT and LUZ

11. Guangxi Intai Technology Co., Ltd ("**GIT**") and Liuzhou Union Zinc Industry Co., Ltd ("**LUZ**") were two China incorporated subsidiaries of the Company that were divested to a BVI company Divine Season Limited ("**Devine**"), with the deemed completion dates of 01 March 2014 and 30 November 2014 respectively being earlier than the execution of the SPA (legal completion).

12. I seek clarification/accountability on:

a. Why no independent valuation was obtained despite being divested below book value;

b. Why it appears that USP suffered an aggregate deficit which is ~-S$2.6mil more than the announced figures;

c. Why the Company announced a "Gain over Net Cash" when there was an aggregate outflow of cash on divestment amounting to ~-S$1.8mil;

d. Why there was no follow-up announcement to explain the apparent differences in the announced and audited figures;

e. The identities of the 3 shareholders of Devine as announced on 01 March 2014, and whether they are/were related to the former directors/substantial shareholders of USP; and

f. How control passed to the acquirer before legal completion.

USP's investment in Huan Hsin Pte Ltd

13. I seek clarification on:

a. The merits of the investment given that USP's fair value gains of S$5,942,059 for FYE 31 March 2015 from its investment in Huan Hsin was wiped out by FYE 31 March 2016 where USP recognised a fair value adjustment of -S$8,363,000;

b. Whether any regulations were breached by trades done (considering volume/timing) in March 2015.

USP's investment in SG Support Services Pte Ltd ("SGSS")

14. I seek clarification on:

a. The merits of the investment valuing SGSS at S$11.7mil without any formal valuation when at the point of investment, SGSS suffered an unaudited net loss of ~-S$0.85mil and had negative NTA/NAV of ~-S$0.5mil ;

b. Why USP failed to disclose the contract between USPI (the acquirer) and SGSS (the acquired) despite being queried by SGX;

c. Uncertainty over which individual the share consideration valued at S$4.25mil was paid to;

d. Why USP booked the SGSS transaction at $5.155 million in its 2016 annual report instead of $5.75 million, which is the announced purchase consideration; and

e. Why within ~1.5 years post investment, USP wrote down the value of SGSS to $0 as at 31 December 2016.

Proposed New Board

15. In light of the above-mentioned matters, I am concerned over the governance of USP and seek the removal of the Executive Directors of the Company, and appoint Mr. Lim, an experienced management executive, as a new director. I am of the view that Mr. Lim possesses the necessary experience and knowledge to be part of the Company's leadership.

16. If you are unable to attend, please deposit the proxy form sent in the circular dated 24 April 2017 at either of the stated 'Places to deposit the proxy instrument', at least 48 hours before 24 May 2017.

17. We hope to obtain your utmost support at the EGM.

Yours faithfully,

JOSHUA HUANG THIEN EN
(Holder of 4,900,000 shares)

With enclosures.

ANNEX A

10 February 2017

USP Group Limited
38 Beach Road
South Beach Tower #29-11
Singapore 189767

FOR IMMEDIATE ATTENTION
BY HAND ONLY

Attention: The Board of Directors

Dear Sirs,

USP GROUP LTD. (THE "COMPANY")
REQUISITION NOTICE TO CONVENE EXTRAORDINARY GENERAL MEETING ("EGM") TO REMOVE PRE-EXISTING DIRECTORS AND TO APPOINT A DIRECTOR (THE "NOTICE")

1. We, the undersigned, being members of the Company holding not less than 10% of the paid up capital of the Company carrying voting rights at general meetings as at the date of this letter, require you to immediately proceed to convene an **EXTRAORDINARY GENERAL MEETING** of the Company (the "**EGM**") to be held as soon as practicable after the receipt of the Notice, pursuant to Section 152 of the Companies Act.

2. The object of the EGM is to pass resolutions for the removal of the following directors:

   1. **Mr. Li Hua** **[Ordinary Resolution 1]**
   2. **Mr. Raphael Tham Wai Mun** **[Ordinary Resolution 2]**

   and the appointment of the following person as a director of the Company with immediate effect from the date of the EGM.

   1. **Mr. Lim Min Hai** **[Ordinary Resolution 3]**

3. For the purpose of the appointment of the director as stated aforesaid, please find enclosed the consent of the proposed director to the nomination together with his profile/experience.

Yours faithfully,

Name of Shareholder	No. of shares held	Signature of Shareholder
Joshua Huang Thien En	4,900,000	
Teng Choon Fong	4,252,920	

With enclosures.

ANNEX B

10 April 2017

USP Group Limited
38 Beach Road
South Beach Tower #29-11
Singapore 189767

FOR IMMEDIATE ATTENTION
BY HAND ONLY

Attention: The Board of Directors

Dear Sirs,

USP GROUP LTD. (THE "COMPANY")
CONSENT TO NOMINATION AS DIRECTOR OF THE COMPANY PURSUANT TO ARTICLE 93 OF THE COMPANY'S ARTICLES OF ASSOCIATION

I, the undersigned, consent to being nominated and appointed as a director of the Company.

Please also find enclosed a copy of my curriculum vitae/profile for your attention.

Yours faithfully,

Name: Lim Min Hai
NRIC: S7474889I

CURRICULUM VITAE OF LIM MIN HAI

Professional Experience

Asian Investment Consultancy – Singapore – 12/2016 to Present
Head of Business Development

Bank of Singapore – Singapore – 11/2009 to 11/2016
Head of Corporate Development and Marketing, CEO Office

UBS AG – Singapore –11/2007 to 5/2009
Director

Johnson & Johnson – Asia Pacific – 6/2001 to 11/2007
Information Management Manager (APAC)

Icon Medialab Asia – Singapore, Hong Kong & Malaysia – 10/1999 to 5/2001
Engagement Manager

General Motors – Asean, Japan, China – 8/1997 to 8/1999
Marketing Manager (Australia and Asean)

Education

CUNY Baruch College, Zicklin School of Management – NY, USA (Graduated 2007)
- Executive Master of Science in Finance

Arthur D Little School of Management – MA, USA (Graduated 1997)
- Master of Science in Management (1 year intensive MBA program in Boston)

Staffordshire University – UK (Graduated 1996)
- Bachelor of Science in Computing Science

ANNEX B

Company's Response

1. What is the Company's position on the EGM convened by Mr Huang ?

A: First and foremost, the Company would like to reiterate that as of the date of this announcement, Mr Teng, being one of the Requisitioning Members who was one of the signatories to the Requisition Letter, has yet to provide evidence of his shareholding despite multiple requests from the Company.

On or around 11 April 2017, Legal Standard declared that they were no longer acting on behalf of Mr Teng. When asked to clarify when did Legal Standard cease to act for Mr Teng, they did not reply.

Mr Huang decided to exercise his right under Section 176(3) to convene the EGM. The Company, proceeded to send notices of EGM to the shareholders and conducted the meeting on 8 May 2017.

It was a surprise to the Company that, despite his activism, Mr Huang did not show up for the EGM convened by himself.

The Company expressly reserves its right to hold the Requisitioning Members liable for all costs, expenses, any penalties, liabilities, claims, demands, losses and damages arising from their actions. Nothing herein shall be construed as the Company's admission with respect to the validity of the notice to convene the EGM.

2. Regarding Mr Huang's question on why Precious Stream's acquisition of 7.78% of voting shares at a declared value of US$1 consideration from a former director, Mr Huang Guozhi, while Mr Huang reported it as "N.A.".

A: The Company has no locus standi to answer this question and suggests that Mr Huang should direct this question to either Precious Stream Holdings Ltd and/or Mr Huang Guozhi. It is the responsibility and obligation of the shareholders to make the declarations under Section 82 of the Companies Act (Cap. 50) and Sections 135-137 of the Securities and Futures Act (Cap. 289).

3. Mr Huang further asked why no general offer was made.

A: As far as the Board were aware, none of the parties involved were acting in concert and none of the parties individually exceeded the requisite threshold of 30% to trigger the obligation under the takeover code to make a mandatory general offer. If Mr Huang has evidence that the parties involved are acting in concert and collectively control more than 30% of the company, he should separately raise to the Board. This has no relevance to the resolutions proposed for the EGM.

4. Mr Huang's concern on the disposal of the Company's previous subsidiaries GIT and LUZ.

A: As explained during the Company's announcements on 15 March 2014 and 2 January 2015, GIT and LUZ were loss-making for several years and was bleeding the Group. The Group tried in vain to seek buyers for the business for several months. In the end, there was only one interested buyer. The Board decided that to obtain an independent valuation will only result in additional costs to the Company and increased losses from the operations of GIT and LUZ.

In the mentioned announcements made by USP, the Company clearly defined and presented the "net cash position *after excluding bank loans*" referring to the free cash in those entities less any bank borrowings. This amounted to a cash gain of US$1.24 million for the divestment of GIT and US$0.97 million for the divestment of LUZ. This is a more realistic presentation since it would have been impossible for USP to be able to transfer/receive all the cash and cash equivalents to the Singapore holding company with the outstanding bank borrowings and any encumbered fixed deposits in China, should USP decide to wind up the two entities.

In the Annual Report, the figures were based on the "cash consideration received" less the "cash and cash equivalents" in the entities as per Singapore GAAP. Accordingly, the Group had a cash outflow of US$0.8 million and US$0.6 million for the divestment of GIT and LUZ respectively. The Board is surprised that Mr Huang (who professes himself as a Chartered Accountant) is unable to note the difference.

With respect to the shareholders of Divine Season, the Board is not aware of any relation between them and the former directors/substantial shareholders of USP.

Regardless, the divestment of the 2 entities reduced the Company's ongoing operating losses and recovered S$10.0 mil in cash to the Company's Singapore operations. It allowed the Company to effectively restructure and embark on its current strategies.

Adequate controls and legal protection were in place to ensure that the interest of USP were protected.

5. Mr Huang sought clarification on the Company's investment in Huan Hsin and whether any regulations were breached by trades done (considering volume/timing) in March 2015.

A: The Board conducted significant due diligence prior to the investment in Huan Hsin based on available financial reports, meeting with Huan Hsin management and site visits to Huan Hsin's operations in China. In our due diligence, it was discovered that Huan Hsin owned significant plots of land in China, in particular in Shanghai. These plots of land would have derived significant revaluation gains, if it was rezoned as residential or commercial, and significant profits if Huan Hsin was to redevelop them under the revised use. As one of USP's key business was property, we were interested in the plots of land held by Huan Hsin and to work with Huan Hsin to redevelop the property. The USP board also approached a few financial institutions to ensure their support in redevelopment of the properties. Unfortunately, the two boards were not

able to reach a mutual agreement at which stage, USP tried to move a motion to change the board of Huan Hsin; i.e. USP letter to Huan Hsin dated 16 April 2015.

USP's intentions have been consistent and forthright; i.e. it believed that Huan Hsin was under-valued as explained above and therefore, a potentially good investment. USP wrote to the board of Huan Hsin on 23 February 2015 and 16 April 2015 voicing its dissatisfaction with the current strategy of the Huan Hsin board. USP continued to buy 28,485,400 Huan Hsin shares over 18 trading days from 5 January 2015 to 31 March 2015 to accumulate a final shareholding of 64,809,400 Huan Hsin shares (16.20%). In each acquisition, USP diligently reported its holdings based on its disclosure obligations. In particular, the share acquisitions in March 2015 were USP's deliberate actions to secure a bigger shareholding presence in the run up to the Huan Hsin EGM held on 24 April 2015. The Board is not aware of any breaches in regulations pursuant to its actions nor approached by any regulators with respect to this issue.

6. Mr Huang sought clarification on several matters related to SGSS transaction, and with respect to the mentioned contract between USPI and SGSS.

A: The Board has already disclosed the rationale of the investment and the subsequent write-off in its earlier announcements.

With respect to the mentioned contract by Mr Huang, USPI entered into the Contract Agreement with SGSS on 27 March 2015 to provide supervision and consultancy services for treatment and handling of oil waste and the treatment and production of biofuel and oil blending. During this time, there were no relationship between the parties and therefore no disclosures were made.

On 1 May 2015, USPI announced that it had entered into a sales and purchase agreement with one of the shareholders of SGSS on 30 April 2015 to acquire the 49% stake. It was further announced on 11 May 2015 that USP had completed the acquisition. This prompted SGX-ST to query USP on 12 May 2015, about whether "there were any transactions and/or investments entered into by SGSS prior to the Completion Date". The Company interpreted as whether there were any transactions made between the sales and purchase agreement date (i.e. 30 April 2015) and the Completion date (i.e. 11 May 2015) being a conditions precedent in the sales and purchase agreement, of which there were none.

7. Why USP booked the SGSS transaction at S$5.155 million in its 2016 annual report instead of S$5.75 mil, which is the announced purchase consideration.

A: As announced by the Company on 1 May 2015, the 49% stake of S$5.75 mil was to be satisfied through cash and issuance of treasury shares. Specifically, S$1.5 mil in cash and 42.5 mil in treasury shares issued at S$0.10 per share (prior to share consolidation). During the audit for FY 31 March 2016, the auditors revalued the share component of the consideration, taking into consideration the actual share price at the payment, being only S$0.086 per share as the effective cost of USP. This is consistent

with the SG GAAP treatment which Mr Huang, who professes himself to be a Chartered Accountant, should have rationalized himself.

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