USP GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200409104W)

EXECUTION OF A SALE AND PURCHASE AGREEMENT IN RELATION TO THE PROPOSED DISPOSAL OF BIOFUEL RESEARCH PTE. LTD.

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1. INTRODUCTION

The board of directors (the "**Board**" or the "**Directors**") of the Company (together with its subsidiaries, the "**Group**") refers to the announcement dated 11 May 2020 (the "**Term Sheet Announcement**") in relation to the legally binding term sheet (the "**Term Sheet**") entered into by the Company with a potential buyer to acquire the Group's entire holdings of 93.09% of Biofuel Research Pte. Ltd. ("**Biofuel**").

Further to the Term Sheet Announcement, the Board wishes to announce that the Company and its wholly-owned subsidiary, USP Industrial Pte. Ltd. (collectively, the "**Vendors**"), had on 7 August 2020 entered into a conditional sale and purchase agreement (the "**SPA**") with AJ Jetting Pte. Ltd. (the "**Purchaser**") pursuant to which the Vendors have agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from the Vendors, 66,580,500 ordinary shares, representing 93.09% of the issued share capital of Biofuel (the "**Sale Shares**"), to the Purchaser for an aggregate consideration of S$5,585,400 (the "**Consideration**") (the "**Proposed Disposal**").

As the Sale Shares represent the Group's entire interest in Biofuel, the Group will cease to have any interest in Biofuel, and Biofuel will cease to be a subsidiary of the Company following the completion of the Proposed Disposal.

2. INFORMATION ON BIOFUEL

Biofuel is a private company limited by shares incorporated in Singapore with its registered address at 186 Woodlands Industrial Park E5, #03-01, Singapore 757515. It became a subsidiary of the Company on 14 October 2014 when the Company acquired 51% of the issued and paid-up capital in Biofuel. The Group's aggregate shareholdings in Biofuel were subsequently increased to 93.09%. Biofuel is engaged in the business of research and development, and engineering and manufacturing for the biofuel industry including collection of general waste..

As at 31 December 2019, the unaudited net tangible asset value of Biofuel was S$1,986,285. The Consideration is S$5,585,400, compared to the unaudited book value of Biofuel at the Group level as at 31 December 2019 of S$5,630,796.

3. INFORMATION ON THE PURCHASER

The Purchaser is a private company limited by shares incorporated in Singapore. It is a leading home-grown company with over 12 years of expertise in the industrial jetting and vacuuming industry. The Purchaser provides services and equipment including high-pressure water jetting, electro mechanical services, jetting of polymerising vinyl chloride drain pipes, sewer cleaning, high pressure vacuum services and pipe line inspection with close-circuit television to clients including established hotels and major shopping malls in Singapore.

The Purchaser is not related to any of the Directors and controlling shareholders of the Company or any of their respective associates. As at the date of this announcement, the Purchaser does not own any shares in the Company.

4. RATIONALE OF THE PROPOSED DISPOSAL

The Proposed Disposal will enable the Group to monetise its investment value. It will also allow the Group to improve its cash position and re-strategize its financial and capital resources. The Proposed Disposal, will allow the Group to focus on its current business and explore new markets and opportunities to increase its revenue streams.

5. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

5.1 Introduction

Pursuant to the terms of the SPA, the Vendors shall dispose of the Sale Shares to the Purchaser, free from encumbrances and together with all rights and advantages attaching thereto as at closing.

The Vendors are the legal and beneficial owners of the Sale Shares in the proportion set out below:

Name of Vendor	**Number of Sale Shares**
The Company	5,280,000
USP Industrial Pte. Ltd.	61,300,500
Total	**66,580,500**

5.2 Consideration

The aggregate Consideration for the Sale Shares is S$5,585,400. Following the execution of the Term Sheet, in accordance the terms thereof, and as set out in the Term Sheet Announcement, the Purchaser had paid a sum of S$1,500,000 (the "**First Payment**") as part of the Consideration to the Company by way of a cashier's order (the "**Cashier's Order**") in favour of the Company. The Cashier's Order is in the possession of the Vendors' lawyers who shall release the Cashier's Order to the Company upon closing of the Proposed Disposal. Upon Closing, the Purchaser will pay the balance Consideration of S$4,085,400 in aggregate to the Vendors.

In the event that the SPA is terminated or rescinded, in accordance with the terms thereof, or where any party elects not to proceed with closing, the Cashier's Order shall be released to the Purchaser.

In the event of a breach of the respective closing or pre-closing obligations under the SPA by the Vendors or the Purchaser, the other party shall be entitled to rescind and/or terminate the SPA (save for such provisions expressly stated to survive such rescission and/or termination) without liability on its part and the Vendors shall (i) immediately refund the First Payment to the Purchaser without interest and without any deduction in the case of non-compliance by the Vendors, or (ii) immediately refund the First Payment less a break fee of S$100,000 to the Purchaser without interest and without any deduction in the case of non-compliance by the Purchaser.

In the event that the Purchaser elects not to proceed with closing through no fault of the Vendors, the Vendors are entitled to deduct a break fee of S$100,000 from the First Payment and return the remaining monies to the Purchaser. In the event that the Vendors elect not to proceed with closing through no fault of the Purchaser, the Vendors shall immediately refund the First Payment to the Purchaser in full and pay the Purchaser a break fee of S$100,000.

The Consideration was arrived at by agreement between the Purchaser and the Vendors and at arm's length, on a willing-buyer and willing-seller basis after taking into account the historical financials of Biofuel.

5.3 Conditions Precedent

Closing of the Proposed Disposal is subject to, amongst others, the following conditions precedent (the "**Conditions Precedent**"):

(i) The completion of due diligence by the Purchaser on Biofuel, and the results of such due diligence being satisfactory to the Purchaser;

(ii) The passing, by the directors of Biofuel, of resolutions approving the transactions described or contemplated under the SPA;

(iii) Save for the UOB Loan, Biofuel completely discharging all other bank facilities or loans including from related parties prior to closing in accordance with all the terms and conditions for the same, such that there will be no penalties or additional interest imposed upon Biofuel;

(iv) Save for the outstanding bank loans which Biofuel shall continue to service promptly up to the Closing Date (as defined below), Biofuel shall not incur any new bank loans without the prior written consent of the Purchaser;

(v) All approvals, consents and licences (whether governmental, corporate or otherwise, including but without limitation, approvals by the shareholders and directors of the Vendors or from the SGX-ST) for the transactions described or contemplated under the SPA having been obtained and not having been revoked or amended and, where such approval is subject to conditions, such conditions being acceptable to the Purchaser and, to the extent that any such conditions are required to be fulfilled on or before closing, they are so fulfilled;

(vi) The Vendors' warranties and the Purchaser's warranties being complied with, and being true, accurate and correct in all material respects as at the date of the SPA and for each day up to and including the Closing Date (as defined below), with references to the circumstances then existing;

(vii) There being no outstanding debts, liabilities, charges, liens and other encumbrances imposed on Biofuel, other than those debts, liabilities, charges, liens and other encumbrances disclosed in the audited accounts of Biofuel, for the 12-month period ended on 31 March 2020, and prepared in accordance with the Financial Reporting Standards in Singapore up till March 2020 (the "**Accounts**") or which have arisen in the ordinary course of business since the date to which such Accounts were prepared until the Closing Date;

(viii) There being no proceedings, applications, petitions or summons having been started, nor any steps being taken thereto by any person with a view to the winding-up of Biofuel or for the appointment of a receiver, trustee or similar officer over Biofuel or any of its properties or assets;

(ix) The Vendors procuring the renewal of the work permit of Naing Win Swe in the event that the Closing Date falls later than six (6) months prior to the expiry of such work permit; and

(x) The Vendors procuring the execution of confidentiality and protection of trade secrets undertakings, upon terms to the satisfaction of the Purchaser, between Biofuel and each of the key employees of the Company and/or any individuals seconded to Biofuel by the Vendors and/or any third party.

5.4 Closing

Subject to the Conditions Precedent being satisfied or waived in accordance with the SPA, closing of the Proposed Disposal shall take place on a date as may be agreed by the Vendors and the Purchaser in writing on or prior to the date falling four (4) months from the date of the First Payment, or such other date as the Parties may agree in writing (the "**Closing Date**"), pursuant to which S$4,085,400 in aggregate (representing the Consideration less the First

Payment), will be paid by the Purchaser to the Vendors and the Sale Shares will be transferred by the Vendors to the Purchaser.

5.5 Other Material Terms

Subject to the approval of United Overseas Bank Limited ("**UOB**"), and as soon as practicable after the Closing Date, the Purchaser shall release the Vendors from the corporate guarantee given by the Vendors in respect of the loan extended by UOB to Biofuel (the "**UOB Loan**") under the revised banking facilities agreement entered into between UOB and Biofuel on 8 November 2016.

In the event that the aggregate of the outstanding principal and interest of the UOB Loan as at the Closing Date (the "**UOB Loan Balance**") is less than S$750,000, Biofuel shall pay to the Vendors an amount equivalent to S$750,000 less the UOB Loan Balance, together with interest on such amount at the then-prevailing UOB prime interest rate, on or before the date falling one (1) year from the Closing Date.

In the event that the UOB Loan Balance is greater than S$750,000, the Vendors shall pay to Biofuel an amount equivalent to the UOB Loan Balance less S$750,000, together with interest on such amount at the then-prevailing UOB prime interest rate, on or before the date falling one (1) year from the Closing Date.

6. USE OF PROCEEDS

6.1 Proceeds over Book Value

Based on the latest unaudited consolidated financial statements of the Group for 3Q2020, the Consideration represents a deficit of S$45,396 over the Group book value of the Sale Shares of S$5,630,796.

6.2 Use of Proceeds

The net proceeds from the Proposed Disposal will be used for repayment of the Company's borrowings, working capital purposes and to undertake new investment opportunities that may arise in the future.

On 6 August 2020, the Company had entered into a Deed of Undertaking to assume the total outstanding rental and interest ("**Outstanding Sum**") due to Jurong Town Corporation by Biofuel under a lease agreement dated 29 November 2016 ("**Lease Agreement**") in respect of the property located at 2 Tuas Road South Street 15 Singapore 637079. The Outstanding Sum comprises outstanding rent and interest thereon under the Lease Agreement for the period from March 2019 to October 2020, when it is anticipated that the Proposed Disposal will complete. The Outstanding Sum will be settled by the Company using the proceeds from the Proposed Disposal.

6.3 Net Profits Attributable to the Sale Shares and Loss on Disposal

Based on the latest unaudited consolidated financial statements of the Group for 3Q2020, the net profits attributable to the Sale Shares is approximately S$383,436. Based on the consolidated balance sheet as of 31 December 2019, the Proposed Disposal is expected to generate a net loss on disposal of approximately S$45,396.

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Consideration	5,585,400
Net Asset to be Derecognised as at 31 December 2019	5,630,796
Loss on Proposed Disposal	45,396

7. CHAPTER 10 OF THE LISTING MANUAL

Relative Figures under Rule 1006 of the Listing Manual

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Disposal, based on the latest unaudited consolidated financial statements of the Group for 3Q2020 and the unaudited financial statements of Biofuel for 3Q2020, are set out below:

Rule	Proposed Disposal
Rule 1006(a) – the net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	8.23%
Rule 1006(b) – the net profits(1) attributable to the assets disposed of, compared with the Group's net profits(1)	73.60%
Rule 1006(c) – the aggregate value of the Consideration received, compared with the Company's market capitalisation based on the total number of issued shares (excluding treasury shares)	61.25%
Rule 1006(d) – the number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue (excluding treasury shares)	Not applicable, as the Proposed Disposal is not an acquisition.
Rule 1006(e) – the aggregate volume or amount of proved and probable reserves to be disposed of, compared with 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.	Not applicable, as the Company is not a mineral, oil and gas company.

Note:

(1) "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and controlling interests.

As the relative figures in Rules 1006(b) and 1006(c) above exceed 20%, the Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Listing Manual. Accordingly, the Proposed Disposal is subject to the approval of Shareholders at an extraordinary general meeting to be convened (an "**EGM**").

8. FINANCIAL EFFECTS

8.1 Bases and Assumptions

The pro forma financial effects of the Proposed Disposal on the Group set out below are purely for illustrative purposes only and are therefore not indicative of the actual future position of the Company or the Group after completion of the Proposed Disposal.

The pro forma financial effects of the Proposed Disposal have been prepared based on the audited consolidated financial statements of the Group for FYE2019, and on the following bases and assumptions:

(i) the financial effect on the consolidated net tangible assets ("**NTA**") per share is computed based on the assumption that the Proposed Disposal was completed on 31 March 2019;

(ii) the financial effect on the consolidated loss per share ("**LPS**") is computed based on the assumption that the Proposed Disposal was completed on 1 April 2019; and

(iii) the expenses to be incurred in connection with the Proposed Disposal are estimated to be approximately S$70,000.

8.2 Net tangible assets per share

	Before the Proposed Disposal	**After the Proposed Disposal**
Consolidated NTA attributable to the shareholders (S$'000)	30,504	30,509
Number of shares	90,287,403	90,287,403
Consolidated NTA per share attributable to the shareholders (Singapore cents)	33.79	33.79

8.3 Loss per Share

	Before the Proposed Disposal	**After the Proposed Disposal**
Consolidated loss after taxation and minority interests (S$'000)	22,970	22,508
Weighted average number of shares	90,287,403	90,287,403
Consolidated earnings per share (Singapore cents)	(25.44)	(24.93)

8.4 Gearing

The Proposed Disposal will have no material impact on the gearing of the Group.

9. SERVICE AGREEMENTS

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 into between the Company and any such person.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

11. CIRCULAR TO SHAREHOLDERS

A circular containing further details on, amongst others, the Proposed Disposal, and enclosing a notice of EGM in connection therewith and will be despatched to the Shareholders in due course. The Company will make further announcements relating to the Proposed Disposal as and when necessary.

12. 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 about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the 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 the announcement in its proper form and context.

13. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Disposal is subject to the fulfilment of the Conditions Precedent, and there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. The Company will make the necessary announcements, in compliance with the requirements of the Mainboard Rules, as and when there are material developments in respect of the Proposed Disposal. Shareholders are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

14. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be available for inspection during normal business hours at the Company's registered office at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 for three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Tanoto Sau Ian
Executive Director and Chief Executive Officer
8 August 2020