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

**MATERIAL ADJUSTMENTS BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

The Board of Directors (the "Board") of USP Group Limited (the "Company", and together with its subsidiaries, the "Group") refers to its audited financial statements for the financial year ended 31 March 2019 in the Group's Annual Report 2019 (the "Audited Financial Statements") and the announcement on the unaudited financial statements for the financial year ended 31 March 2019 on 30 May 2019 (the "Unaudited Financial Statements").

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board wishes to highlight that there were certain material adjustments between the audited financial statements for FY2019 and the Unaudited FY2019 Results following the finalisation of the audit. Details and clarifications of the adjustments are set out as follows:

| | Audited S$'000 | Unaudited S$'000 | Differences S$'000 | Note |
|---|---|---|---|---|
| **Consolidated Statement of Comprehensive Income (Extract)** | | | | |
| Other losses | (21,395) | (124) | (21,271) | 1 |
| Exceptional items | – | (19,373) | 19,373 | 1 |
| **Consolidated Balance Sheet (Extract)** | | | | |
| Current liabilities | | | | |
| Other financial liabilities | 43,733 | 18,415 | 25,318 | 2 |
| Non-current liabilities | | | | |
| Other financial liabilities | 2,868 | 28,191 | (25,323) | 3 |
| **Consolidated Cash Flow Statement (Extract)** | | | | |
| Net cash flows from operating activities | 1,937 | 1,063 | 874 | 4 |
| Net cash flows from investing activities | (195) | 162 | (357) | 5 |

Note

1. Other losses increased by S$21,271,000 mainly due to the reclassification of S$19,373,000 from exceptional items setoff by S$8,000 reclassified to net other gains. Additional impairment loss of construction-in-progress of S$934,000 and write down of development property S$972,000 are adjusted subsequent to the announcement of the unaudited financial statement.

2. Other current financial liabilities increased by S$25,318,000 mainly due to the reclassification of non-current borrowings to current borrowings in accordance with the requirement of SFRS(I) 1-1 *Presentation of Financial Statements*. As at 31 March 2019, certain subsidiaries have breached their loan covenants as the Company, who is the corporate guarantor, did not fulfil the requirement to maintain a minimum consolidated tangible net worth of S$40 million and as such, the non-current borrowings should be reclassified. The Group had obtained written confirmations from bank on 27 June 2019 which the bank has agreed to accommodate the breach on a one-off basis for the reporting year ended 31 March 2019. Had it not been for the breach of the loan covenant, the group's total current assets would have exceeded total current liabilities by S$9,202,000;

3. See Note 2.

4. Net difference of S$874,000 arose largely due to the reclassification of inventories to property, plant and equipment, changes in receivables and payables and foreign currency translation.

5. Largely due to the reclassification of inventories to property, plant and equipment amounting to S$297,000.

**BY ORDER OF THE BOARD**

Nah Ee Ling
Executive Director
16 September 2019