

**USP GROUP LIMITED**  
(Company Registration No.: 200409104W)  
(Incorporated in the Republic of Singapore)  
(the "**Company**", with its subsidiaries, the "**Group**")

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- (1) **THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESS OF THE GROUP TO INCLUDE THE TRADING OF MARINE EQUIPMENT AND INDUSTRIAL MACHINERY AND EQUIPMENT**
  - (2) **THE PROPOSED ACQUISITION OF SUPRATECHNIC PTE LTD AS A MAJOR TRANSACTION**
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## **1. INTRODUCTION**

- 1.1. The Board of Directors (the "**Board**") of the Company refers to its announcement dated 30 September 2015 in relation to its negotiations with Supratechnic Pte Ltd (the "**Target**") and its shareholders to invest in the Target through an acquisition and/or subscription by the Company of shares in the Target (the "**Announcement**").
- 1.2. Further to the Announcement, the Board wishes to announce that the Company has entered into a conditional sale and purchase agreement ("**SPA**") dated 12 December 2015 with the shareholders of the Target, being Ridwan Kasenda ("**Management Vendor 1**"), Joshua Huang Thien En ("**Management Vendor 2**") and Salman Kasenda (the "**Non-Management Vendor**") to purchase the entire issued share capital of the Target (the "**Sale Shares**") (the "**Proposed Acquisition**"). Management Vendor 1 and Management Vendor 2 are hereinafter collectively referred to as the "**Management Vendors**". The Management Vendors and the Non-Management Vendor are hereinafter collectively referred to as the "**Vendors**".
- 1.3. The Proposed Acquisition constitutes a major transaction. Accordingly, it is subject to the approval of Shareholders under Rule 1014 of the listing manual of the SGX-ST ("**Listing Manual**").
- 1.4. The entry into the Proposed Acquisition is pursuant to the Company's proposal to expand the scope of the Group's existing business to include the trading of marine equipment and industrial machinery and equipment ("**Proposed Diversification of Business Scope**"). The Company will be seeking Shareholders' approval for the Proposed Diversification of Business Scope.
- 1.5. The Proposed Diversification of Business Scope and the Proposed Acquisition are hereinafter collectively referred to as the "**Proposed Transactions**". The Board intends to convene an extraordinary general meeting to seek Shareholders' approval for the Proposed Transactions. A circular ("**Circular**"), setting out the relevant information on the Proposed Transactions, will be despatched to Shareholders in due course.

## **2. PROPOSED DIVERSIFICATION OF BUSINESS SCOPE**

- 2.1. The existing business of the Group ("**Existing Business**") comprise:-
  - (a) blending and distribution of diesel and engine oil; and
  - (b) property development.
- 2.2. For the purposes of expanding and diversifying its portfolio and improving its future growth prospects, the Group proposes to expand the scope of Existing Business to include the trading of marine equipment and industrial machinery and equipment. The Company will be seeking Shareholders' approval for the Proposed Diversification of Business Scope.

### **3. INFORMATION AND RATIONALE FOR THE PROPOSED ACQUISITION**

#### **3.1. Information on the Vendors and the Target**

The Target is a private company limited by shares incorporated in Singapore on 11 April 1968. The Target has a total issued and paid-up ordinary share capital of S\$6,000,000 comprising 6,000 shares. Please refer to the table set out in paragraph 4.2 below for the shareholders of the Target and their respective shareholdings.

As at the date of this announcement, the Target has five (5) subsidiary entities established in Singapore, Malaysia and Indonesia. The Target, together with its subsidiaries, shall hereinafter be referred to as the "**Target Group**".

The Target Group is a Singapore based wholesale and trading group involved mainly in the trading of marine equipment and industrial machinery and equipment with operations in Singapore, Malaysia and Indonesia.

The Vendors are the sole shareholders of the Target. The Vendors are not related to the Company, its Directors, and as far as the Directors' are aware, its controlling shareholders and the respective associates of the Directors and the controlling shareholders.

#### **3.2. Rationale and Benefits of the Proposed Acquisition**

The reasons supporting the Proposed Acquisition are as follows:-

- (a) The Target Group has an established reputation and a strong track record of more than four decades in the business of marine equipment and industrial machinery and equipment. The Target is a sole agent for many leading brands including Yamaha Outward Motors and Yamaha Boats from Japan. It has an extensive distribution and servicing network in Singapore, Malaysia and Indonesia. This network is complementary to the Group's existing business of blending and distributing of diesel and engine oil. The Company can leverage on it to expand its sales of its oil products into the region. The Target Group owns a substantial amount of industrial properties. After the Proposed Acquisition, these industrial properties would be consolidated under the Group's existing property development business synergistically to achieve higher growth for the Group.
- (b) The Company has taken a more conservative approach in growing its oil and property business in light of depressed prices of oil and fuels and also property. The Company believes that the acquisition of the Target Group will provide the Company the critical mass and also immediate access to sizeable revenues and profits at a reasonable price.
- (c) The Proposed Acquisition is competitively priced and the Company believes that the Group would be able to benefit from the investment.
- (d) The Company believes that the Target Group has a strong cohesive management team in the industrial sector which can support the Company in its future expansion.

### **4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION**

- 4.1. The Company will be acquiring the Sale Shares directly. Accordingly, upon completion of the Proposed Acquisition, the Target will become a wholly owned subsidiary of the Company.
- 4.2. The Company will acquire the Sale Shares free from all encumbrances and with all rights, title and interests attaching to them as at completion ("**Completion**"). The shareholders of the Target as at (a) the date of the SPA, and (b) on completion are set out in the table below:

Shareholder	Shareholdings in the Target as at the date of the SPA	Shareholdings in the Target following Completion
Management Vendor 1	1,500 shares (25.0%)	-
Management Vendor 2	2,100 shares (35.0%)	-
Non-Management Vendor	2,400 shares (40.0%)	-
Company	-	6,000 shares (100.0%)
<b>Total</b>	6,000 shares (100.0%)	6,000 shares (100.0%)

4.3. The conditions precedent to Completion include:-

- (a) all approvals, waivers or consents as may be required for the sale of the Sale Shares, to enable the Company and/or its nominee(s) to be registered as holder(s) of all of the Sale Shares, and to give effect to the transactions contemplated hereunder (including without limitation, under all applicable laws and such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which the Target is a party or by which the Target or its assets are bound) being obtained (including without limitation, the approvals from the government agencies, the Target Group's bankers, suppliers and customers for the transactions contemplated under the SPA) and where any waiver, consent or approval is subject to conditions, such conditions being satisfactory to the Company in its sole and absolute discretion and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;
- (b) the results of the due diligence on the Target Group being satisfactory to the Company;
- (c) there being no material adverse change in the business, operations, assets, financial condition or prospects of the Target since the date of signing of the SPA;
- (d) the Company having received approval from its shareholders for the transactions contemplated in the SPA (including, without limitation, effecting Completion);
- (e) the Company having received approval from the SGX-ST for the listing of and quotation for the Consideration Shares (as defined below) on the SGX-ST; and
- (f) the allotment and issuance of the Consideration Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the SPA by any legislative, executive or regulatory body or authority of Singapore.

4.4. Completion will occur on the date falling seven (7) days after the satisfaction or waiver (as the case may be) of all the conditions precedent or such other date as may be agreed between the parties ("**Completion Date**"). If any of the conditions precedent to Completion are not satisfied or expressly waived in accordance with the terms of the SPA by 6 p.m. on 31 May 2016, then except for the surviving clauses under the SPA, the SPA will lapse without any of the parties being liable to any other parties in any way whatsoever.

4.5. The Company is not obliged to purchase any of the Sale Shares unless the sale and purchase of all Sale Shares are completed simultaneously.

## 5. CONSIDERATION FOR THE PROPOSED ACQUISITION

5.1. The consideration for the Proposed Acquisition was agreed to be S\$12,340,000 in cash and 64,000,000 new Shares in the Company (the "**Consideration Shares**") (collectively, the "**Consideration**"). The Consideration Shares are valued between S\$2,496,000 to S\$3,891,200 based on the last traded share price and the latest reported net asset value per share of the Company respectively. The Consideration was determined at arm's length and on a willing-buyer-willing-seller basis, taking into consideration the following:-

- (a) the Target Group is growing business where total revenues grew from S\$33,228,164 in the financial year ended 31 December 2013 to S\$38,417,005 in the financial year ended 31 December 2014, a growth of 15.6%;
- (b) the consolidated profit after tax of the Target Group amounted to S\$2,854,171 in the financial year ended 31 December 2014 is equivalent to a competitive historical price to earnings ratio;
- (c) the Consideration is below the consolidated net asset of the Target Group of S\$17,988,761; and
- (d) the Target Group has fixed assets in terms of office properties and shop houses equivalent to a net book value of S\$15,324,165.

### 5.2. Retention Sum

The Company is entitled to retain the amounts set out in column 2 of the table below from the respective Consideration amounts due to the Vendors until the expiry of the respective Retention Period (each a "**Retention Sum**", collectively, the "**Retention Sums**"):

Vendor	Retention Sum	Retention Period
Non-Management Vendor	S\$1,000,000	The period commencing from the Completion Date up to and including the date falling on the first anniversary of the Completion Date
Management Vendor 1	S\$500,000	The period commencing from the Completion Date up to and including the date falling on the third anniversary of the Completion Date (" <b>Warranty Period</b> ")
Management Vendor 2	S\$1,000,000	Warranty Period

The Retention Sums will be first used towards satisfaction of and to offset any claims by the Company against the Vendors in respect of any breach or non-fulfilment of any of the warranties, representations, indemnities, covenants, agreements and obligations on the part of the Vendors or any of them contained in or made pursuant to and in accordance with the SPA, in accordance with the provisions of the SPA. If the Company is entitled to deduct and retain any amount in respect of any such claims, the Consideration shall be deemed to have been reduced by that amount and the Company's payment obligations under the SPA shall be reduced accordingly.

### 5.3. Settlement of Consideration

The Consideration will be settled in the following manner:-

- (a) On Completion, and subject to the satisfaction by the Vendors of their completion deliverables under the SPA, the Company will:-
    - (i) transfer the amount of S\$5,400,000 in cash to the bank account of the Non-Management Vendor;
    - (ii) transfer the amount of S\$2,140,000 in cash to the bank account of the Management Vendor 1;
    - (iii) transfer the amount of S\$2,150,000 in cash to the bank account of the Management Vendor 2; and
    - (iv) issue to Management Vendor 2, 49,000,000 Consideration Shares, provided that in the event (i) such Shares cannot be allotted or issued for any reasons whatsoever, (ii) trading in the Shares in the Company is suspended for a period of more than ten (10) continuous trading days (from the date on which the Company has obtained its shareholders for the transactions contemplated in this Agreement (including, without limitation, effecting Completion), or (iii) the Company is delisted from the Official List of the SGX-ST, the amount of S\$2,450,000 shall be payable in cash to the bank account of the Management Vendor 2.
  - (b) Subject to the provisions in the SPA relating to usage of the Retention Sum in satisfaction of and to offset any claims by the Company against the Vendors, on the first Business Day falling immediately after the first anniversary of the Completion Date, the Company will:-
    - (i) transfer the amount of S\$1,000,000 in cash to the bank account of the Non-Management Vendor; and
    - (ii) transfer the amount of S\$900,000 in cash to the bank account of the Management Vendor 1.
  - (c) Subject to the provisions in the SPA relating to usage of the Retention Sum in satisfaction of and to offset any claims by the Company against the Vendors, on the first Business Day falling immediately after the expiry of the Warranty Period, the Company will:-
    - (i) transfer the amount of S\$500,000 in cash to the bank account of Management Vendor 1;
    - (ii) transfer the amount of S\$250,000 in cash to the bank account of Management Vendor 2;
    - (iii) issue to Management Vendor 2, 15,000,000 Consideration Shares, provided that in the event (i) such Shares cannot be allotted or issued for any reasons whatsoever, (ii) trading in the Shares in the Company is suspended for a period of more than ten (10) continuous trading days (from the date on which the Company has obtained its shareholders for the transactions contemplated in this Agreement (including, without limitation, effecting Completion), or (iii) the Company is delisted from the Official List of the SGX-ST, the amount of S\$750,000 shall be payable in cash to the bank account of the Management Vendor 2.
- 5.4. The Consideration Shares to be issued to Management Vendor 2 in accordance with the SPA as set out in paragraph 5.3 above will be issued pursuant to the general mandate obtained at

the annual general meeting of the Company on 31 July 2015. The Consideration Shares, when allotted and issued, will be credited as fully paid for, free and clear of all Encumbrances and will rank *pari passu* with all existing Shares.

- 5.5. The issue price of the Consideration Shares is not more than 10% discount to the volume weighted average price of Shares for trades done on the SGX-ST for the preceding market day up to the time the SPA was signed.
- 5.6. The Company will be making an application to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the dealing in, listing of and quotation of the Consideration Shares on the Main Board of the SGX-ST and will inform Shareholders of the outcome of the application in due course.

5.7. **Call Option and Right of First Refusal**

- (a) Subject to the limitations and requirements under the Companies Act (Cap 50 of Singapore) and the Listing Manual, for a period commencing from the Completion Date up to and including the date falling on the first anniversary of the Completion Date, the Company shall have the right to purchase up to 50% of the Consideration Shares allotted and issued to Management Vendor 2 at Completion at a purchase price per Share of S\$0.05.
- (b) For the period commencing from the Completion Date up to and including the date falling on the first anniversary of the Completion Date, Management Vendor 2 undertakes not to sell, contract to sell, offer, realise, transfer, assign, grant any option or right to acquire, pledge, grant any security over, directly or indirectly, or otherwise dispose of or encumber (collectively, "**Transfer**") any part of his interests in 50% of the Consideration Shares allotted and issued to Management Vendor 2 at Completion (or, in the event that the Company exercises its right as set out in paragraph 5.7(a) to acquire all 50% of the Consideration Shares allotted and issued to Management Vendor 2 at Completion, the remainder of the Consideration Shares allotted and issued to Management Vendor 2 at Completion) without first notifying the Company. The Company has the right, exercisable for a period of seven (7) days from its receipt of such notice, to purchase all such Consideration Shares offered for Transfer at the Market Price per Share. For the purpose of this paragraph, "**Market Price**" refers to the volume weighted average price of Shares for trades done on the SGX-ST for the preceding market day of the notice.

6. **SOURCES OF FUNDS FOR THE PROPOSED ACQUISITION**

The component of the Consideration which will be satisfied in cash will be funded by internal resources, bank financing and depending on the market sentiments, a private placement.

7. **FINANCIAL INFORMATION AND EFFECTS OF THE PROPOSED ACQUISITION**

7.1. **Value of the Target Group**

Based on the audited consolidated accounts of the Target Group for the financial year ended 31 December 2014, the net tangible asset of the Target Group is approximately S\$17,943,000 and the net profit after tax of the Target Group is approximately S\$2,584,000.

7.2. **Financial Effects of the Proposed Acquisition**

The pro forma financial effects of the Proposed Acquisition, based on the audited consolidated financial statements of the Group for FY2015 are set out below. The pro forma financial effects are only presented for illustration purposes, and are not intended to reflect

the actual future financial situation of the Company or the Group after completion of the Proposed Acquisition.

(a) **Earnings per Share ("EPS")**

Assuming that the Proposed Acquisition was completed on 1 April 2014, the effect of the Proposed Acquisition on the EPS of the Company for FY2015 will be as follows:-

	Before the completion of the Proposed Acquisition	After the completion of the Proposed Acquisition <sup>1)</sup>
<b>Net profit attributable to shareholders of the Company (S\$'000)</b>	2,523	5,813
<b>Number of Shares (Weighted average) ('000)</b>	656,322	656,322
<b>EPS<sup>(1)</sup> (cents)</b>	0.38	0.89

(b) **Net Tangible Assets ("NTA")**

Assuming that the Proposed Acquisition was completed on 31 March 2015, the effect of the Proposed Acquisition on the NTA of the Company for FY2015 will be as follows:

	Before the completion of the Proposed Acquisition	After the completion of the Proposed Acquisition
<b>NTA (S\$'000)</b>	47,985	65,928
<b>Number of Shares ('000)</b>	670,120	670,120
<b>NTA per Share (cents)</b>	7.16	9.84

## 8. THE PROPOSED ACQUISITION AS A MAJOR TRANSACTION

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006 of the Listing Manual	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not Applicable <sup>(1)</sup>
(b)	The net profits attributable to the assets acquired, compared with the Group's net profits.	130.40% <sup>(2)</sup>

(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury Shares.	63.43% <sup>(3)</sup>
(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.	9.75% <sup>(4)</sup>
(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.	Not Applicable <sup>(5)</sup>

**Notes:-**

- (1) This is an acquisition.
- (2) Under Rule 1002(3)(b) of the Listing Manual, "**net profits**" means profit or loss before income tax, minority interests and extraordinary items. Based on the audited consolidated accounts of the Target Group for 31 December 2014, the net profits attributable to the Target Group is S\$2,584,171. The Group reported a net profit of \$2,523,089 for the financial period ended 31 March 2015.
- (3) Based on the Consideration of S\$12,340,000 in cash and 64,000,000 Consideration Shares, and the Company's market capitalisation of approximately S\$25.59 million. For purposes for estimating the total consideration, we have assumed the shares valued at the net asset per share (being the higher of the last traded share price and the net asset per share according to the SGX-ST guidelines). The Company's market capitalisation is determined by multiplying the number of Shares in issue (656,174,867) by the weighted average price of the Shares on 11 December 2015 (being the market day preceding the date of the SPA) of S\$0.039 per Share.
- (4) Based on the number of Consideration Shares to be issued being 64,000,000 divided by the number of Shares in issue (656,174,867), excluding treasury Shares.
- (5) The Company is not a mineral, oil or gas company.

As the relative figures as computed on the above bases exceed 20.0%, the Proposed Acquisition constitutes a "major transaction" within the meaning of Chapter 10 of the Listing Manual, and is subject to approval of Shareholders.

**9. NO SERVICE CONTRACTS WITH DIRECTORS**

- 9.1. No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.
- 9.2. However, for the purposes of full disclosure, the Group will be entering into a service contract with Management Vendor 2 for an initial term of 36 months, subject to renewal at the end of the initial term on terms to be mutually agreed.

**10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors (other than in his capacity as a Director or Shareholder) and to the best of the Directors' knowledge, none of the controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Resolutions.



## **11. 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 Resolutions, 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 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 these sources and/or reproduced in this Announcement in its proper form and context.

## **12. CAUTIONARY STATEMENT**

Shareholders and potential investors should note that Proposed Resolutions are conditional upon, among others, the approval from the SGX-ST for the listing and quotation of the Consideration Shares and the approval from the Company's shareholders in respect of the Proposed Resolutions and are therefore advised to exercise caution when dealing or trading in the Shares. Shareholders and potential investors should consult their stockbrokers, bankers, solicitors or other professional advisers if they have any doubt about the actions they should take.

## **13. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents may be inspected at the registered office of the Company at 8 Shenton Way #42-02 AXA Tower Singapore 068811 during normal business hours for three (3) months from the date of this announcement:-

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the SPA;

## **BY ORDER OF THE BOARD**

Li Hua  
Executive Chairman  
13 December 2015