

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

**TRANSACTION IN THE ORDINARY COURSE OF THE GROUP'S BUSINESS - PROPOSED
ACQUISITION OF KOON CHENG DEVELOPMENT PTE LTD**

1. INTRODUCTION

The Board of Directors (the "**Board**") of the Company wishes to announce that the Company, its subsidiary, USP Properties Pte. Ltd. ("**USPP**"), and Sin Hong Hwa Pte Ltd (the "**Vendor**"), the sole shareholder of the Koon Cheng Development Pte Ltd (the "**Target**"), have entered into a conditional sale and purchase agreement (the "**SPA**") dated 18 December 2015 for the purchase the entire issued share capital of the Target (the "**Sale Shares**") (the "**Proposed Acquisition**").

2. INFORMATION AND RATIONALE FOR THE PROPOSED ACQUISITION

2.1. Information on the Vendor

The Vendor is the sole shareholder of the Target. The Vendor is involved in the trading of tires and motor accessories business and is 100% owned by an individual not related to the Company and its associates.

2.2. Information on the Target

The Target is a private company limited by shares incorporated in Singapore on 2 February 2007. The Target has a total issued and paid-up ordinary share capital of S\$1,000,000 comprising 1,000,000 shares.

The Target is the owner of the properties ("**Properties**") details of which are set out below:-

Properties Address and Description	1. 186 Woodland Industrial Park E5 Singapore (757515) (Multiple-user industrial development comprising a 4-storey block factory) 2. 184 Woodland Industrial Park E5 Singapore (757514) (A 2-storey block warehouse) 3. 182 Woodland Industrial Park E5 Singapore (757513) (A 4-storey block ancillary/secondary dormitory with approval from the Urban Redevelopment Authority to house 320 workers.)
SLA Lot Number	MK13-5620V
Lot Area	8,580.4 square metres
Land Tenure	30 years leasehold estate from 25 April 2007

For the financial year ended 30 June 2015, the Target achieved a net profit after tax of S\$1.74 million on a revenue of S\$3.8 million largely from rental income.

2.3. Rationale and Benefits of the Proposed Acquisition

The reasons supporting the Proposed Acquisition are as follows:-

- (a) the Target is the owner of the Properties and the Directors are of the view that the acquisition of the Target will enable the Group to acquire these yield generating property asset, in line with the Group's strategy to grow its property investment business;
- (b) the Directors believe that the Target's strong profitability margins will be able to contribute to the Company's performance and enhance its profit;
- (c) the Directors believe that Target's property asset will be able to generate a steady cash flow to the Group; and
- (d) the Proposed Acquisition will increase the Group's assets.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

- 3.1. The Company will be acquiring the Sale Shares indirectly through its wholly owned subsidiary, USP Properties Pte Ltd ("USPP"). Accordingly, upon completion of the Proposed Acquisition, the Target will become a wholly owned subsidiary of the Group.
- 3.2. USPP will acquire the Sale Shares free from all encumbrances and with all rights, title and interests in and to the Sale Shares as at completion ("**Completion**").
- 3.3. 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 USPP 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 under the SPA (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's bankers, suppliers and customers for the transactions contemplated under the SPA);
 - (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) USPP and 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 Singapore Exchange Securities Trading Limited ("**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.
- 3.4. 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 29 February 2016 (or such date as

extended by mutual agreement between the parties), then the SPA will lapse without any of the parties being liable to any other parties in any way whatsoever.

4. CONSIDERATION FOR THE PROPOSED ACQUISITION

4.1. The consideration for the Proposed Acquisition ("**Consideration**") is the sum of S\$32,000,000. The Consideration was determined at arm's length and on a willing-buyer-willing-seller basis after arm's length negotiations, taking into consideration the following:-

- (a) that the indicative valuation of the Properties is at S\$33,500,000; and
- (b) that the Target does not have any other significant assets or liabilities.

4.2. The payment and full settlement of the Consideration will be effected in the following manner:-

- (a) the transfer of S\$24,000,000 in immediately available funds to the bank account of the Vendor ("**Cash Consideration**"); and
- (b) the issuance by the Company to the Vendor (and/or its assignee) of such number of new shares in the capital of the Company ("**Shares**") as shall, at the issue price of S\$0.0608 per Share, have an aggregate issue price of S\$8,000,000 (the "**Consideration Shares**"). The issue price per Share is subject to adjustments in the event of any subdivision or consolidation of the shares in the Company. 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.

4.3. The Company will be making an application to the 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.

4.4. Moratorium Undertaking by Vendor

The Vendor has agreed that it shall not sell, transfer or otherwise dispose of or mortgage, pledge, charge or otherwise create any lien, security interest or any other encumbrances on any of the Consideration Shares (or any interest therein) for a period of 12 months from the date of Completion.

5. SOURCES OF FUNDS FOR THE PROPOSED ACQUISITION

The Cash Consideration for the Proposed Acquisition will be funded entirely by bank financing. As at the date of this Announcement, the Group has secured a confirmed letter of offer from a local bank to finance the Cash Consideration ("**Proposed Bank Facility**").

6. FINANCIAL INFORMATION AND EFFECTS OF THE PROPOSED ACQUISITION

6.1. Value of the Target

Based on the audited accounts of the Target for the financial year ended 30 June 2015, the net tangible asset of the Target is approximately S\$7.4 million and the net profit after tax of the Target is approximately S\$1.74 million.

The Company had appointed Dennis Wee Realty Pte Ltd to appraise the value of the Properties. According to the valuation report dated 15 December 2015, the open market value of the Properties as at 3 December 2015 is S\$33.5 million.

6.2. 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 the financial year ended 31 March 2015 ("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 ¹⁾
Net profit attributable to shareholders of the Company (S\$'000)	2,523	4,611
Number of Shares (Weighted average) ('000)	656,322	656,322
EPS⁽¹⁾ (cents)	0.38	0.70

(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
NTA (S\$'000)	47,985	55,410
Number of Shares ('000)	670,120	670,120
NTA per Share (cents)	7.16	8.27

7. RELATIVE FIGURES ON THE BASES SET OUT IN RULE 1006

7.1. The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the listing manual ("**Listing Manual**") of the SGX-ST 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
(b)	The net profits attributable to the assets acquired, compared with the Group's net profits.	82.7 ⁽¹⁾
(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.	82.0% ⁽²⁾
(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.	19.6% ⁽³⁾
(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

Notes:-

- (1) 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 accounts of the Target for 30 June 2015, the net profits before tax of the Target is S\$2,087,625. The Group reported a net profit before tax of S\$2,523,089 for the financial period ended 31 March 2015.
- (2) Based on the Consideration of S\$32.0 million, and the Company's market capitalisation of approximately S\$39.04 million. The Company's market capitalisation is determined by multiplying the number of Shares in issue excluding treasury shares (656,174,867) by the weighted average price of the Shares on 17 December 2015 (being the market day preceding the date of the SPA) of S\$0.0595 per Share.
- (3) Based on the number of Consideration Shares to be issued, being 131,578,947, divided by the number of Shares in issue (670,120,238), including treasury Shares (13,945,371).

7.2. Proposed Acquisition is in the Ordinary Course of the Group's Business

Shareholders had on 25 February 2014 approved the diversification of the Group's business to include the business of property holding, development, management and other related property activities with a focus on the residential and commercial sectors in Singapore and the People's Republic of China ("**Property Business**").

The Directors are of the view that the Proposed Acquisition is in the ordinary course of Group's Property Business and will not change the risk profile of the Group for the foregoing reasons:-

- (a) The Proposed Acquisition will not increase the scale of the Group's existing operations significantly, as the relative bases computed on Rule 1006(c) and (d) of the Listing Manual is less than 100%.
- (b) The Proposed Acquisition will not result in a change of control of the Company. Although the Company will be issuing the Consideration Shares to the Vendor, the Consideration Shares will only comprise 16.4% of the Company's enlarged share capital.
- (c) The Proposed Acquisition will:-
 - (i) not have an adverse impact on the Group's earnings;
 - (ii) not have a significant adverse impact on the Group's working capital as the Directors believe that monthly rental income from the Properties (which is stable and secured with an occupancy of 96.8%) is more than enough to service the repayment of the bank facility taken up to pay the Cash Consideration; and
 - (iii) not have a significant adverse impact on the Group's gearing as the liability of taken up by the Group for the payment of the Cash Consideration is supported by the increase in assets of the Group
- (d) The Proposed Acquisition will not result in an expansion of the Group's Property Business to a new geographical market or a new business sector
- (e) The consideration for the Proposed Acquisition is priced based on market valuation of the Properties, as set out in the valuation report referred to in paragraph 6.1 of this Announcement.

8. NO SERVICE CONTRACTS

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. 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 Acquisition.

10. 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 Acquisition, 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.

11. CAUTIONARY STATEMENT

Shareholders and potential investors should note that Proposed Acquisition is conditional upon, among others, the approval from the SGX-ST for the listing and quotation of the Consideration Shares 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.

12. 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;
- (b) the valuation report referred to it in paragraph 6.1 of this Announcement; and
- (c) the SPA;

BY ORDER OF THE BOARD

Li Hua
Executive Chairman
18 December 2015