

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

PROPOSED ACQUISITION OF 49% OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF SG SUPPORT SERVICE PTE. LTD.

1. INTRODUCTION

The board of directors (the "**Board**") of USP Group Limited (the "**Company**") refers to the Company's announcement dated 16 January 2015 (the "**16 January Announcement**"). Unless otherwise defined, capitalised terms used herein shall bear the same meaning as ascribed to them in the 16 January Announcement.

Further to the 16 January Announcement, the Board wishes to announce that the Company's wholly-owned subsidiary, USP Industrial Pte. Ltd. ("**USPI**") (as the Company's nominee) ("**Purchaser**") has on 30 April 2015 entered into a conditional share purchase agreement (the "**Agreement**") with Ms Joanna Loh Lai Chin ("**Vendor**") and Mr Teng Choon Fong ("**Warrantor**") to acquire 980,000 ordinary shares representing 49% of the entire issued and paid-up share capital of SG Support Service Pte. Ltd. ("**Sale Shares**") from the Vendor ("**Proposed Acquisition**").

2. INFORMATION ON SG SUPPORT SERVICES PTE. LTD. ("SGSS")

SG Support Service Pte Ltd is a company incorporated in Singapore on 6 November 2007 and has, at the date of this announcement, an issued and paid-up capital of S\$2,000,000, comprising 2,000,000 shares. Mr Teng Choon Fong holds 1,020,000 shares in SGSS, with the remainder being held by the Vendor. The principal activities of SGSS include cargo transportation, waste management (water & oil sludge collection), tank cleaning and general construction.

3. THE PURCHASE PRICE

3.1 Details of the Purchase Consideration

The purchase consideration of S\$5,750,000 for the acquisition of the Sale Shares ("**Purchase Consideration**") is payable by the Company to the Vendors in the following manner:

- (i) an aggregate of S\$1,500,000.00 to be satisfied by way of cash ("**Cash Consideration**"); and
- (ii) the allotment and issuance by the Company of such number of issued and paid-up ordinary shares in the capital of the Company ("**Shares**"), credited as fully paid, with a net value of S\$4,250,000.00 ("**Consideration Shares**") to the Vendor, to be allotted and issued to the Vendor on the completion date, at an issue price of S\$0.10 for each Consideration Share.

Pursuant to the Agreement, the Vendor has agreed that he will not sell, transfer or otherwise dispose of or mortgage, pledge, charge or otherwise create any lien, security interest or any other encumbrance in the following schedule:

- (i) after the 1st year, not more than 14.2 million Consideration Shares are freely tradeable;
- (ii) after the 2nd year, not more than 28.4 million Consideration Shares are freely tradeable; and

- (iii) after the 3rd year, all the Consideration Shares are freely tradeable.

3.2 Basis of Arriving at the Purchase Consideration

The Purchase Consideration was agreed upon pursuant to arm's length negotiations between USPI and the Vendors on a willing-buyer willing-seller basis, after taking into consideration, *inter alia*:

- (i) SGSS is one of a small handful of companies which has the license to collect water and oil sludge in Singapore;
- (ii) it achieved a revenue of S\$5.97 million based on the management accounts for the financial year ended 31 October 2014;
- (iii) it achieved an EBITDA of S\$1.62 million for the same period representing approximately 28% of the Purchase Consideration; and
- (iv) it has a fleet of over 50 heavy vehicles, its own warehouse and 200,000 square feet of open yard.

3.3 Funding

The Group intends to fund the Cash Consideration using existing internal cash resources.

4. MATERIAL CONDITIONS OF THE AGREEMENT

4.1 The Agreement is conditional upon, *inter alia*, the following being fulfilled before or on completion of the Proposed Acquisition ("**Completion**"):

- (i) all material approvals, waivers or consents as may be required for the sale of the Sale Shares, to enable the Purchaser 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 SGSS is a party or by which SGSS or its assets are bound) being obtained and where any waiver, consent or approval is subject to conditions, such conditions being reasonably satisfactory to the Purchaser 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;
- (ii) the results of the legal due diligence exercise to be undertaken by the Purchaser and/or its professional advisers over the legal and contractual position and prospects of SGSS and other title(s) held by SGSS being satisfactory to the Purchaser;
- (iii) the representations, warranties and undertakings of the Vendor and the Warrantor contained in the Agreement remaining true and accurate in all respects and not misleading in any respect, as at Completion, by reference to the facts and circumstances then existing, and there being no breaches of any covenants, undertakings and agreements required to be performed or caused to be performed by the Vendor and the Warrantor under the Agreement on or before the date of Completion ("**Completion Date**");
- (iv) the parties not having received notice of any claim, action, injunction, order, directive or notice restraining or prohibiting the entering into or the consummation of the transactions contemplated by the Agreement or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened;

- (v) there being no material adverse change in the business, operations, assets, financial condition or prospects of SGSS since the date of signing of the Agreement;
- (vi) the relevant authorities not having enacted, amended or proposed any law or legislation (including any subsidiary legislation) which would prohibit, materially restrict or materially delay the implementation of the transactions contemplated in the Agreement or the operations of SGSS;
- (vii) 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 Agreement by any legislative, executive or regulatory body or authority of Singapore;
- (viii) the listing and quotation notice for the dealing in, listing of and quotation for the Consideration Shares having been obtained from the Singapore Exchange Securities Trading Limited ("**SGX-ST**");
- (ix) the Vendor having resigned as a director of SGSS, and the Warrantor and Dragan Bovic ("**Executive Directors**") remaining appointed as directors SGSS;
- (x) the Purchaser and the Warrantor having procured the complete release and discharge of all existing personal guarantees provided by the Vendor to secure the obligations of or otherwise for the benefit of SGSS, including but not limited to personal guarantees granted by the Vendor in favour of:
 - (a) DBS Bank Ltd;
 - (b) United Overseas Bank Limited;
 - (c) Malayan Banking Berhad (Singapore Branch);
 - (d) Oversea-Chinese Banking Corporation Limited;
 - (e) Singapura Finance Ltd;
 - (f) Motorway Credit Pte. Ltd.;
 - (g) Hong Leong Finance Limited;
 - (h) Mercedes-Benz Financial Services Singapore Ltd.;
 - (i) De lage Landen Pte. Limited.; and
 - (j) any other bank, financial institution or entity; and
- (xi) the Warrantor and the Purchaser having entered into a shareholders' agreement ("**Shareholders' Agreement**") in relation to the regulation of their relationship in respect of SGSS, and which shall contain, *inter alia*, the following provisions:
 - (a) the Purchaser shall be entitled to appoint one (1) non-executive director to the board of directors of SGSS, and save for the foregoing, there shall be no changes to the composition of the board of directors of SGSS;
 - (b) the Executive Directors shall remain responsible for and retain full discretion over the management and supervision of the business and day-to-day operations of SGSS, and the Purchaser shall not concern itself with executive and/or management decisions which are to be taken in the ordinary course of business, save that:

- (i) any purchases exceeding S\$100,000.00 shall be subject to the approval of a joint signatory to be appointed from the Purchaser's representative director(s); and
 - (ii) the Executive Directors shall furnish the monthly management accounts and bank statements to the Purchaser's representative director(s) after the 15th day of the calendar month subsequent to such accounts; and
- (c) unanimous shareholder approval from shareholders of SGSS shall be required for matters involving a substantial disposal of the undertaking of SGSS, any liquidation or winding-up of SGSS, or any substantial transactions which are outside the ordinary course of business undertaken by SGSS, save for
- (i) any existing transactions and/or investments entered into by SGSS prior to the Completion Date; and the sale and purchase and financing for 12 lorry cranes entered or to be entered into by SGSS with SCANIA Singapore Pte Ltd or such vendor which is finally approved by the board of directors of SGSS; and
 - (ii) the shareholders of SGSS shall have rights of first refusal over any proposed transfer of shares in SGSS by any shareholder to a third party and pre-emptive rights over any issuance of new shares in SGSS.

5. RATIONALE FOR THE PROPOSED ACQUISITION

On 25 February 2014, the Company obtained approval from the shareholders of the Company ("**Shareholders**") for the Group to diversify into the business of blending and distribution of diesel and engine oil (the "**Oil Blending Business**"). On 14 October 2014, the Company obtained Shareholders' approval for the Company and its subsidiaries to undertake business activities and to enter into contracts in relation to the Oil Blending Business at such aggregate value to cross 20% of the relevant thresholds under the listing manual of the SGX-ST ("**Listing Manual**").

The Group now wishes to undertake the Proposed Acquisition in order to gain a foothold in the waste oil transportation business. The Proposed Acquisition is complementary to the Group's strategy in growing the Oil Blending Business including the provision of water and oil sludge to Biofuel Research Pte. Ltd. (one of the Group's subsidiaries) for treatment.

In light of the foregoing, the Board expects good potential in the business prospects of SGSS, and is of the view that the revenues to be generated from SGSS will contribute positively to the Group's financial performance.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

For the purposes of this section, the financial effects of the Proposed Acquisition on the earnings per Share and the net tangible assets per Share of the Group are set out below, are prepared purely for illustration only and do not reflect the actual future financial situation of the Group. As the Purchase Consideration is paid in cash, the Proposed Acquisition will have no impact on the number of issued Shares. The financial effects have been computed based on the audited consolidated financial statements of the Group for the financial year ended 30 November 2013 ("**FY2013**") and the unaudited financial statements of SGSS for its financial year ended 31 October 2014.

6.1 Net tangible assets (“NTA”) per Share

Assuming that the Proposed Acquisition had been effected on 30 November 2013, the effects of the Proposed Acquisition on the NTA per Share as at 30 November 2013, based on the Group’s FY2013 financial statements, would be as follows:

	Before the Proposed Acquisition	After completion of the Proposed Acquisition
NTA as at 30 November 2013 (US cents)	5.67	5.67 ⁽¹⁾

6.2 Earnings per Share (“EPS”)

Assuming that the Proposed Acquisition had been effected on 1 December 2012, the impact of the Proposed Acquisition on the EPS of the Group would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
EPS for FY2013 (US cents)	(0.51)	(0.57) ⁽¹⁾

Note:

(1) Based on SGSS’s unaudited statement profit or loss and other comprehensive income for the year ended 31 October 2014.

7. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 (a) to (e) of the Listing Manual with reference to the signing of the Agreement are as follows:

Rule 1006	Basis	Relative Figures
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable as this is an acquisition
Rule 1006(b)	Net loss attributable to the Proposed Acquisition compared with the Group’s net loss	8.44% ⁽¹⁾
Rule 1006(c)	The aggregate value of the consideration given for the Proposed Acquisition, compared with the market capitalisation of the Company	10.26% ⁽²⁾
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	6.83%
Rule 1006(e)	Aggregate volume of proved and probable reserves to be disposed of compared with the Group’s probable and proved reserves	Not applicable

Notes:

- (1) Based on the Group's net loss before tax of US\$3.95 million as disclosed in the Company's latest announced consolidated accounts and SGSS's unaudited net loss before tax of S\$0.85 million for the financial year ended 31 October 2014 (using average exchange rate of 0.7942).
- (2) The market capitalisation of the Company is based on 622,498,238 Shares in issue as at 29 April 2015 (being the last trading day immediately preceding the date of the Agreement) and the weighted average price of S\$0.09 of the Shares transacted on the SGX-ST on the same date of S\$56.02 million.

As none of the relative figures computed under Rule 1006 of the Listing Manual exceeds 20%, the Proposed Acquisition is considered a "discloseable transaction" as defined in Chapter 10 of the Listing Manual of the SGX-ST.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this Announcement, none of the directors of the Company (the "**Directors**") has any interest, direct or indirect, in SGSS and/or the Proposed Acquisition (other than by reason only of being a Director). In addition, as far as the Directors are aware, none of the Company's Controlling Shareholders (as defined in the Listing Manual) has any interest, direct or indirect, in the Proposed Acquisition (other than by reason of their shareholding interest in the Company).

9. 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.

10. DOCUMENTS FOR INSPECTION

A copy of the Agreement is available for inspection at the Company's registered office at 8 Shenton Way, #42-02, Singapore 068811, for a period of three (3) months from the date of this Announcement.

11. RESPONSIBILITY STATEMENT

The Directors of the Company 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 those sources and/or reproduced in this Announcement in its proper form and context.

BY ORDER OF THE BOARD

USP Group Limited

Li Hua
(Executive Chairman and Chief Executive Officer)
30 April 2015