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

REQUISITION FOR AN EXTRAORDINARY GENERAL MEETING FOR HUAN HSIN HOLDINGS LTD ("Huan Hsin")

Further to the announcement dated 9 July 2015 where the Company submitted a notice of requisition ("**Requisition Notice**") under section 176 of the Companies Act, Cap 50, to the Board of Huan Hsin Holdings Ltd ("**Huan Hsin Board**"), for an extraordinary general meeting ("**EGM**") to be held, the Company will like to advise on the following:

1. Huan Hsin Board has replied to our issues raised in our 9 July 2015 Announcement in an announcement dated 14 July 2015 ("**Huan Hsin Announcement**") and subsequently calling for an EGM on the 14 August 2015.

2. They have however ignored our instruction to release our Statement (attached herein for reference) which accompanied our Requisition Notice. In our Requisition Notice, the Statement sets out the rationale behind, and is an integral part of, the objects of the EGM, we are of the view that it is important for shareholders of Huan Hsin to be apprised of the contents of the Statement (well before any proposed date for the convening of the EGM) so that they may be able to make an informed decision, *inter alia*, on whether to attend the EGM and/or in relation to the voting of their shares in respect of the resolutions in the EGM. We have separately requested for clarification for their action in letters to the Huan Hsin Board on 3 August and 5 August 2015 and so far, unsatisfied with their reasons.

3. We have subsequently requested for Huan Hsin's shareholder list on 5 August and 6 August 2015 in the attempt to reach out to their shareholders directly but have been denied by Huan Hsin Board.

4. With respect to the Huan Hsin Announcement, we believe it only addresses partially our concerns in our Statement and silent on the remaining issues pertinent to the resolutions of the coming EGM. Further, we are curious why Huan Hsin Board requested a valuation by DTZ on 23 June 2015 after the completion of the sale of Indeed Holdings Limited unless the Huan Hsin Board felt the need to validate the valuation by Shanghai San Lian retrospectively. Regardless, the report by DTZ does not invalidate the report commissioned by USP which in fact, places the property at a much higher valuation. Huan Hsin Board's decision and clarification in their announcement and in the shareholder circular to accept a much lower valuation only reflects the pacifist attitude of the Huan Hsin Board to the detriment of its shareholders.

5. It is our opinion that their actions, even if permissible in form, has denied Huan Hsin shareholders a proper opportunity of forming an opinion on the issues at hand. Instead of addressing our Statement, the Huan Hsin Board has chosen to provide selective information to its shareholders in a blatant attempt to influence their shareholders' voting at the EGM. Further, in denying our request for Huan Hsin's shareholder register, also deny the shareholders the access to information regarding Huan Hsin.

6. It is our opinion that the EGM on the 14 August is now biased based on their above actions. As such, the Company will boycott the coming EGM and instead seek for a new meeting at a later date.

The Company holds an aggregate of 64,809,400 ordinary shares of Huan Hsin, representing approximately 16.2% of its total issued share capital and continues to believe in its investment and will continue to seek redress to realise the value in Huan Hsin. The Company has separately written to SGX for assistance.

BY ORDER OF THE BOARD
USP Group Limited

Li Hua
(Executive Chairman and Chief Executive Officer)
13 August 2015

Schedule 3
Statement by USP Group Limited

Company on Watch-List

Due to the Company having suffered 3 consecutive years of losses and a market capitalisation of less than S$40,000,000, the Company was placed on the Watch-List on 5 March 2014. If the Company is unable to either return to profitability or market capitalisation over the preceding 6 months prior to **5 March 2016**, it may be removed from the Main Board by the SGX-ST,

In the 1st quarter of 2015 (Q1 2015), the Company has announced a successive quarterly loss of S$12,313,000 and as at 6 July 2015, the Company's share price was trading at S$**0.031** per share.

Exit offer required

In the event the SGX-ST exercises its power to remove the Company from the Official List, the Company or its controlling shareholder(s) must comply with the requirements of Rule 1306 of the SGX-ST Listing Manual which includes making a reasonable exit offer. Such exit offer should normally be made in cash and would include a voluntary liquidation of the Company's assets and distribution of cash back to shareholders.

Inability to turnaround the Company

In the SGX announcement released by the Company dated 28 April 2015, the Board was unable to give any indication or assurance when they will be able to turnaround the Company or to stem the losses of the Company. They have admitted the challenges in the existing business and that they have not been able to "find appropriate higher-yield high-volume product(s) that fit our core competencies and resources".

It will appear that the Board is determined on its current business sector based on the competencies or comfort zone of the Board and unlikely to propose drastic measures to revive the Company. They have also refused to appoint a special independent committee to review the viability of the Group's current core business and/or new business.

Despite the efforts of the Board, the financial results for Q1 2015 released on 7 May 2015 continued to show a substantial loss of S$12.3 million. Net margins year on year have worsen from negative 17.7% (Q1 2014) to negative 30.1% (Q1 2015). The net margins in Q1 2015 has also widen compared to the full year 2014 of negative 25.7%. There is therefore, no indication that the current strategy of the Board is able to improve the Company's performance.

We reiterate our call that an independent financial advisor, investment bank or relevant professionals be appointed to aid the Company in its restructuring efforts or to formulate a proper strategy to return value to shareholders.

We are also concerned that the Board has in recent months taken certain actions that may be detrimental to the objective of ensuring or maximising distributions or returns to Shareholders, including in the event an exit offer is required to be made to Shareholders by the Company or its controlling shareholders in connection with Rule 1306 of the Listing Manual, some of which are elaborated below:

Sale of Shanghai Indeed Electronic Technology Co., Ltd ("Shanghai Indeed") could have been at a discount to market value

On 14 February 2015, the Company had announced the sale of Shanghai Indeed to Phoenix Bridge International Holdings Group Investment Co. Ltd ("Phoenix") for US$29,869,000. Phoenix was incorporated in Hong Kong on 28 May 2014 belonging 100% to an individual named Wang Dade, with a paid-up capital of HK$10,000,000 (circa S$2,000,000). We presume that proof of funds of the individual and the newly incorporated entity has been secured prior to such a transaction. The Directors and major shareholders have all declared that this is an arms-length transaction.

The terms of the consideration was that US$2,987,000 will be paid within 2 days of the Agreement (which was signed on 17 February 2015), US$17,921,000 to be paid within 33 days of the Agreement and the remaining US$9,000,000 upon completion. On 18 March 2015, the US$17,921,000 was received. As Shanghai Indeed is only 51% held by the Group, the Group would have received a gross proceeds amount of US$10,663,000 by 31 March 2015 (note: there is a commission of US$2,100,000 to be payable but the Group has not disclosed under what terms the commission will be paid). The sale of Shanghai Indeed was eventually approved by the EGM on 24 April 2015 despite a significant proportion of the minority shareholders voting against the transaction.

The valuation was based on a willing buyer-willing seller basis and supported by a valuation report done by Shanghai San Lian Assets Appraisal Co., Ltd ("SSLA report") as announced on SGX on 24 April 2015. In the SSLA report, the valuation of the land use and building held by Shanghai Indeed, being its only asset, amounted to RMB175,553,742 (of which, land use rights amounted to RMB67,769,988 and the building amounting to RMB82,524,332).

However, we have since separately obtained an international property consultant valuation that values the land use rights alone at RMB162,000,000. The discrepancy in value of the land use rights amounted to an almost RMB100,000,000 difference. This can only lead us to speculate that a significant asset of the Group could have been sold at a potential heavy discount to market.

Company's Land Assets

The Company is sitting on huge gains in terms of its properties, especially the properties in Shanghai. Industrial properties in Shanghai has appreciated significantly over the years in Shanghai as evidenced by Huan Hsin's sale of Shanghai Indeed. Based on the remaining land on Zhongchun Road, the Group still has 130,732 square meters owned. Using the price per square meter of the international valuer mentioned above of RMB2,586 per square meter for the Shanghai Indeed property, the Group is potentially sitting on a valuation of RMB338,100,000 (circa S$73,500,000) and a handsome revaluation gain for its properties in that location. Preliminary discussions with some property developers in Shanghai indicated that if the land is rezoned and developed into commercial property, the value of the land could be even much higher.

The Group has other sizeable properties in China ("Other Properties")

Location	Area (sqm)
Weihai, Shandong Province	180,090 sqm
Chang Su, Jiangsu Province	131,399 sqm
Qingpu, Shanghai City	10,672 sqm

Based on the 1st quarter 2015 results, the Company only has a land use rights value of

S$7,980,000 recorded in the balance sheet and likely some held under assets held of sale of S$27,459,000. While we are unable to discern the value of the Other Properties, it appears that the assets declared in the balance sheet is significantly lower than the current market value, and likewise, the reported net assets of the Company lower than the Company's market value.

Sale of other assets and deployment of proceeds

We now understand from market sources that the Company may again be preparing for another asset sale, and we have no idea if the Company will put such sale to shareholders for approval. Even if the Company were to claim that it would likely make a large gain from the sale, we are concern it will not truly maximise value for the Company or shareholders if the sale were to be at a price below current market value.

In addition, any such sale will also not maximise value or returns to shareholders if the Company chooses not to distribute the proceeds to shareholders but redeploy it for its existing core business, the viability of which we have raised queries on previously. As such, the net impact to the shareholders may be that the Company will have again sold off and diluted its valuable assets while all the cash raised will be deployed and soaked into the existing loss-making core business.

As a shareholder, we are concerned that the interests of the major shareholders and the other shareholders may not be aligned as far as preservation and maintenance of the existing core business is concerned, as it was their founding business and they also have personal guarantees committed in respect of working capital loans provided to the Company for such business.

Cashflow

A computation of the Group's cash and bank balances, trade receivables and inventories appears to suggest that the Group has S$180,230,000 in working capital to operate a business of S$40,944,000 in Jan-Mar 2015 (or S$13,648,000 per month), i.e. it has over 13 months of working capital.

Despite the gross inflow of cash amounting to US$10,663,000 by end March 2015 from the sale of Shanghai Indeed and reflected by the increase in cash as at 31 March 2015, it is concerning to note that borrowings have actually increased during the same period. It is unclear as to why the Group increases its borrowings despite knowing that the sale is impending and the proceeds from the sale are forthcoming. This is also inconsistent with the Board's representation that the main purpose of the sale of Shanghai Indeed is to reduce borrowings as reiterated to shareholders during the EGM held on 24 April 2015 and again in their clarification dated 28 April 2015.

The question remains as to why a company with supposedly S$58,901,000 in cash reserves (increased from the S$35,988,000 of the previous quarter, 31 Dec 2014) would increase short term borrowing from S$102,093,000 as at 31 Dec 2014 to S$115,728,000 in 31 March 2015 and increased long term borrowings in the same period from S$81,722,000 to S$85,190,000.

The overall borrowings of the Company has increased alarmingly by S$17,103,000 quarter by quarter while in terms of Company revenue, what we have seen is a quarter on quarter drop of 59.0% and revenue drop of 25.0% year on year.

Hopefully, there will be more clarity on the Group's working capital and cash position when the half year interim results are released, including the expected cash inflow from the reduction of paid-up capital of Shanghai Indeed prior to the completion, which would have reaped the Group another US$4,590,000 and the remaining payment from Phoenix, of another US$4,569,926.40.

It is also puzzling that the Company has on 26 May 2015, in response to queries from the SGX-ST on its first quarter financial results, reiterated that it has substantial cash and also unused financing lines. If the Company has indeed S$58.9 million in cash and S$35 million in untapped facilities, why is it not putting its cash to better investment returns and why is it resorting to selling its assets below market value to repay borrowings? Alternatively, if the Company has sufficient cash and funding for its working capital requirements, why is the Company still increasing borrowings and why does it not distribute the proceeds from the assets sale as dividends or other distributions to the Shareholders?

Concluding Remarks

It is clear that despite the efforts and good intentions of the Board, the Company has not succeeded over the last few quarters of restructuring, consolidation and divestments. Yet despite this, the Board appears to believe that they can manage the situation and resolute of its current course of action.

As a shareholder we are concerned that such course of action will only cause the Company to continue to wear itself down with deepening losses, being compelled to sell away its property assets cheaply and fritter away its cash on a loss-making business, such that there will be hardly be any assets or cash left in the Company for distribution to shareholders and shareholders will not be able to get any distributions or returns for their shares eventually if the Company has to be delisted and an exit offer is required to be made by the Company or its controlling shareholders in connection therewith.

For the reasons above, we recommend Shareholders **VOTE FOR THE RESOLUTIONS** as proposed for the EGM.

For clarification, please email: enquiries@uspgroup.com.sg

For and on behalf of
USP Group Limited