Issuer: USP Group Limited
Security: USP Group Limited

Meeting details:
Date: 29 Sep 2016
Time: 10:00AM
Venue: 16A Joo Koon Circle Singapore 629048

Company Description

USP Group Limited, an investment holding company, engages in oil blending activities in Singapore, China, Hong Kong, and India. The company operates in three segments: Oil Trading, Property, and Others segments. It engages in the research and development, engineering, manufacturing, and consultancy for the biofuel industry; processing and selling biofuels; and blending and distribution of diesel and engine oil. The company is also involved in property holding, development, management, and other related property activities primarily in the residential and commercial sectors; and trading of diesel. The company was formerly known as Unionmet (Singapore) Limited and changed its name to USP Group Limited in March 2015. USP Group Limited was founded in 1999 and is headquartered in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BRS)

1. Can the board/management provide an update on the new and existing businesses in the group? Specifically, shareholders would like more clarity on:

- **Supratechnic Group** (“**Supra**”): The acquisition of Supratechnic was completed on 11 March 2016 and the rationale given (page 61 of the annual report) was that Supra would allow the group to gain a foothold in the property business. **Can the board/management provide shareholders with more clarity on their plans for the newly acquired assets?** With the latest decision to continue the trading business, **shareholders would like to understand the key drivers and the key risks of the trading business. What would be the level of working capital and the investments needed to grow this business? Is the current team equipped with the necessary skill sets and knowledge to carry out trading in “marine equipment and industrial machinery and equipment”?**

- **Biofuel Research**: On 19 May 2016, Biofuel and a former director of a subsidiary (“the Claimant”) agreed to settle these suits on the basis that Biofuel will pay the Claimant the sum of $1,150,000 (page 99). The application to obtain payment out of court was approved in June 2016 and the proceedings are now closed. However, shareholders were informed that, in April 2015, Biofuel had commenced separate legal proceedings against the Claimant for “various breaches of his duties whilst he was a director and Managing Director of Biofuel”. Also, the Court had earlier granted a conditional order allowing the dismissal of the winding up application after hearing the parties. **Shareholders would like the board to provide clarity on the matter and give the reason why Biofuel agreed to settle for a sum of $1.15 million.** This is puzzling given that Biofuel had earlier disputed the claims.

- As for the oil trading/blending business, **please provide detail on how management plans to turn-around the business. Please help shareholders understand the impact of low oil-prices on this business.**

- **Property Development**: In the Chairman’s statement (page 2), it was disclosed that “the Group is currently reviewing other potential property projects”. **Shareholders would like to know what are the sectors (residential, commercial or industrial) and the (geographical) markets that are being considered.**

2. The board has oversight of the Group’s overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices (page 7). **Shareholders would like to ask about**

the capital allocation strategy for the group. Numerous acquisitions and investments made by the group have not turned out well. **Can the board/management share what were the lessons learnt? In particular, please talk about:**

- **Sky-Land (Oils & Fats)** Pte Ltd ("SLOF"): The group made an investment in SLOF in July 2015 and had taken an impairment loss by the end of the financial year (in March 2016). Less than eight months after the acquisition, management has decided to wind up SLOF.
- **SG Support Services** Pte Ltd ("SGSS"): There is an impairment of $1.5 million and this investment has been reclassified as an available-for-sale investment because management has determined that the Group is unable to demonstrate its ability to exercise significant influence over the investee despite the 49% interests. There is also an on-going litigation with SGSS.
- **Huan Hsin** Holdings Ltd ("HH")**:** A fair value loss of $8.4 million and HH has schedule an EGM on 26 September to approve the disposal of Ideal Project Consultant Limited.

Would the board draw up a more coherent investment framework so that the group focuses on synergistic acquisitions and buy-outs where the group has control over the investments? The board should also review the due diligence process to ensure that the group picks reliable and trustworthy partners. It would appear various non-controlling investments have all turned out less than satisfactory.

3. As part of the transaction to acquire Supratechnic, 49,000,000 Consideration Shares were issued to Joshua Huang Thien En (also referred to as "Management Vendor 2"). The shares were loaned to the company by Precious Stream Holdings Ltd under a Share Lending Agreement. **Can the board explain the rationale of doing so?** On the first anniversary of the loan date, the company will need to redeliver the loaned shares to Precious Stream Holdings. **How does the company plan to redeliver 49,000,000 shares to Previous Stream?**

- Under the sale and purchase agreement, 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 has the right to purchase up to 50% of the consideration shares allotted and issued to the Management Vendor 2 at completion at a purchase price per share of S$0.05. Again, **can the board/management explain the rationale of doing so? And given that exercising the call option is accretive, would the board be exercising the call option in due time?**