

**Issuer:** USP Group Limited

**Security:** USP Group Limited

**Meeting details:**

Date: 29 September 2017

Time: 9.00 a.m.

Venue: 16A Joo Koon Circle Singapore 629048

**Company Description**

USP Group Limited, an investment holding company, engages in oil blending business in Singapore, China, Hong Kong, Indonesia, India, and Malaysia. It operates through four segments: Oil Trading, Property, Marine Trading, and Others. The company is involved in the research and development, engineering, manufacture, and consultancy for the biofuel industry; blending and distribution of diesel and engine oil; investment and development of properties; trade of marine equipment and related products; and manufacture and wholesale of edible oils and fats. It also engages in the wholesale of tank and general cleaning products, industrial machinery and equipment, marine equipment, and accessories; trade of scientific and industrial instruments, outboard motors, and general merchandise; and letting of properties and general traders. 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](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BRS))

**Q1.** Following up on the queries on the annual report for the year ended 31 March 2016, the company has made various non-control investments over the years, including Huan Hsin Holding Limited, MSV Systems & Services Pte Ltd and SG Support Services Pte Ltd.

In addition, the group made an investment in Sky-Land (Oils & Fats) Pte Ltd (“SLOF”) in July 2015 and had taken an impairment loss by the end of the financial year (March 2016). Less than eight months after the acquisition, management has decided to wind up SLOF as reported by the management in last year’s annual report. In this year’s annual report, it was disclosed that “During the year, the group acquired remaining 40% shares of Sky-land (Oils & Fats) Pte Ltd at a nominal value of \$1” (page 73).

- a) **Can management explain the extent of its due diligence prior to making investments, especially for its non-control investments? In addition, what are the non-financial factors that were considered prior to the group making any investments?**
- b) **What guidance has the board given to management as the group tries to diversify into new business?**
- c) **How does management ensure that the new businesses/potential business are properly managed and that the group has sufficient oversight of the operations, given that several investments are small non-control stakes?**
- d) **Can the board/management explain the group’s strategic direction in a holistic manner? Should the group hold back on further diversification and instead focus on the current businesses given that the current businesses are capital intensive and that the group’s cash resources are limited?**
- e) **SLOF: Please update shareholders on the plans for SLOF.**
- f) Pursuant to the acquisition of SG Support Service Pte. Ltd., the company has stated in its announcement (dated 30 April 2015) that the vendors 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:
  - a. after the 1st year, not more than 14.2 million Consideration Shares are freely tradeable;
  - b. after the 2nd year, not more than 28.4 million Consideration Shares are freely tradeable; and
  - c. after the 3rd year, all the Consideration Shares are freely tradeable.

**Has the company ensured that the vendors have observed the moratorium? What efforts have the company taken to track and monitor the agreement that it has entered with the vendors?**

**Q2.** In the Report on Corporate Governance (page 17), it was disclosed that “management has yet to appoint an Internal Auditor as of the date of this report but intends to do so in the FYE March 2018”.

In the Annual report for the year ended 31 March 2016, the company had stated that:

*“The Group will look to engage an internal auditor to assess the effectiveness of the internal control processes of the Group in the next financial year”.*

In the Annual report for the year ended 31 March 2015, the company had also made the following statement:

*“The Group will look to engage an internal auditor to assess the effectiveness of the internal control processes of the Group for the financial year ending March 2016”.*

- a) **Can management and the Audit and risk management committee (ARMC) explain the delay in the appointment of an internal auditor?**

On page 18 (Audit and risk management committee), the ARMC disclosed the following:

*“The ARMC also monitors proposed changes in accounting policies; **reviews the internal audit functions** and adequacy of the Group’s internal controls; reviews interested person transactions; and discusses accounting implications of major transactions including significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company’s financial performance”.*

- b) Can the ARMC explain how it had carried out the review of the internal audit functions?**
- c) Would the ARMC be spearheading the process of shortlisting and appointing a suitable internal auditor? When would the company expect an internal auditor be appointed?**
- d) If and when an internal auditor is appointed, would the internal auditor report directly to the ARMC?**

**Q3.** On 11 April 2016, the company completed a share consolidation of every ten ordinary shares into one consolidated share to facilitate its compliance with the continuing listing requirement imposed by SGX-ST for issuers listed on the SGX Mainboard to have a minimum trading price per share of S\$0.20.

As noted in the Chairman’s Message, the company was “placed in the Minimal Trading Price (MTP) watchlist on 1 June 2017 by the Singapore Exchange” (page 3).

Based on the announcement by the company dated 4 June 2017, the company was informed by the Exchange that the company would be placed on the watch-list due to the Minimum Trading Price Entry Criteria with effect from 5 June 2017.

- a) Can the company confirm that it was placed on the watch-list due to the MTP Entry Criteria with effect from 5 June 2017?**

The company will have to meet the requirements of Rule 1314(2) of the Listing Manual within 36 months from 5 June 2017, failing which the Exchange would delist the company or suspend trading in the company’s shares with a view to delisting the company.

The company has to now achieve (a) a volume-weighted average price of at least S\$0.20 AND (b) an average daily market capitalisation of S\$40 million or more over the last 6 months.

- b) Given that the company has a market capitalisation of less than \$9 million, can the board/management let shareholders know what are the options available to the company?**
- c) Given the company’s current market capitalisation, has the board considered a transfer to the Catalist board?**