



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: USP Group Limited

Security: USP Group Limited

Meeting details:

Date: 31 July 2018

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; investment and development of properties; trade of marine equipment and related products; and manufacture and wholesale of inedible 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=)

1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) Mercury outboard motors: Can management help shareholders understand the key drivers of the market for outboard motors? What are the opportunities in the next 2-3 years in the region?**
- (ii) Watercar (amphibious vehicle): How synergetic is the distributorship of the amphibious vehicle with the group's current operations? Who are the potential customers and what is the addressable market for amphibious vehicle in the region?**
- (iii) Boat building: The group is also looking to extend into boat building with the signing of two agreements to build high performance boats for customers and to build affordable and quality yachts. Given the excesses in the marine industry, did management identify the key success factors that would allow the group to venture successfully into boat building? Can management further clarify its intended business model?**
- (iv) Capital expenditure: What is the project capital expenditure required to fund these new ventures? How is the group going to fund these new businesses?**
- (v) Biodiesel: Can management also provide shareholders with better visibility of its plans for its eco-fuel facility?**

2. The group's investment properties are carried at \$35.1 million and generated rental income of \$3.7 million in FY18.

- (i) Can management provide a breakdown to the valuation of the investment properties?**
- (ii) How did the company decide to sell the London residential unit?**
- (iii) What is the occupancy rate of the three units in Woodlands Industrial Park?**

In addition, under the group's property, plant and equipment and development property, the group has made the following disclosure:

- (iv) Redevelopment of 16 Joo Koon Circle: What is the expected capital investment to redevelop the industrial property? Will the property be solely for the group's own use?**
- (v) 71 Blandford Drive: With the temporary occupation permit obtained on 14 February 2018, what are management's plans to maximise the return from this redevelopment? What is the projected ROI?**

3. Guideline 2.2 of the 2012 Code of Corporate Governance states that independent directors should make up at least half of the Board where, inter alia, the chairman of the board is not an independent director.

The chairman of the board is considered non-independent and, to comply with the Code, independent directors should make up at least half the board to allow for strong and independent element on the board to exercise objective judgement on corporate affairs independently.

The company has disclosed the following:

During FY2018, the Company had interviewed a few potential candidates but found not suitable. The Company will continue its effort sourcing for a suitable candidate to be appointed as Independent Director to the Board in order to comply with guideline 2.2 of the Code.

- (i) Can the board tell shareholders how many candidates have been interviewed? How were these candidates shortlisted?**
- (ii) What is the company's search and nomination process for new directors, especially independent directors?**
- (iii) Can the nominating committee (NC) elaborate further on the profile of the director(s) that the company is looking for, in terms of skills-sets, expertise and professional experience?**
- (iv) What are the board's new efforts to source for new candidates? When does the board expect to be able to comply with Guideline 2.2?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=USP%20Group%20Ltd>

The company's response could be found here: -----