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

RESPONSE TO SGX QUERIES

The Board of Directors (the **"Board"**) of USP Group Limited (the **"Company"**) and together with its subsidiaries, the "Group") wishes to announce the following in response to the queries raised by Singapore Exchange Securities Trading (the "**SGX-ST**") on 23 May 2023 in respect of the Corporate Governance Statement in the Annual Report.

Query from SGX-ST
Please provide details on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Company's response
The Company had commented on the remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation in the latest Annual Report for financial year ended 31 March 2021. This was disclosed as follows:

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The Remuneration Committee (**"RC"**) currently comprises three (3) Independent Directors as follows:
(a) Mr Joseph Tan Chin Aik (Chairman)
(b) Mr Djohan Sutanto (Member)
(c) Mr Chia Heng Chian (Member)

The principal functions of the RC in accordance with its Terms of Reference (**"TOR"**) are set out as follows:

(a) recommend to the Board a framework of remuneration for the Board and Key Management Personnel ("KMP") of the Group and to determine specific remuneration packages and terms of employment for each Director and KMP with the aim of building a capable and committed Board and Management through competitive compensation which is sufficient to attract, retain and motivate KMP of the required calibre to run the Company effectively;

(b) consider all aspects of remuneration of the Executive Director(s) and KMP including their contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance;

(c) review and recommend Directors' fees for Non-Executive Directors, taking into account factors such as their effort, time spent, duties and responsibilities; and

(d) review whether the Executive Director(s) and KMP should be eligible for benefits under any long-term incentive schemes which may be set up from time to time. If required, the RC will seek expert advice inside or outside the Company on remuneration of all Directors. The RC has access to external expert advice with regard to remuneration matters, if required. During the financial year, the RC did not require the service of an external remuneration consultant.

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The remuneration policy of the Company is designed to align the interests of Executive Director(s) and KMP with those of shareholders and the long-term success of the Group. In reviewing and determining the remuneration packages of the Executive Director(s) and KMP, the RC will consider the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the responsibilities, skills, expertise and contribution to the Company's performance and if the remuneration packages are competitive and sufficient to assure that the Company is able to attract and retain the best available executive talent. The RC makes its recommendation to the Board which has the discretion to accept or vary the recommendations.

The remuneration structure of the Executive Director(s) and KMP includes a direct performance-based variable component. This is in line with both market and best practices of structuring a proportion of KMP's remuneration to be directly linked to corporate and individual performance. As the Executive Director(s) and KMP of the Group are rewarded based on their achievement of key performance indicators, the actual results of the Group, and not any other assigned incentives, the "claw back" provisions in their employment contracts may therefore not be relevant or appropriate. The RC will, when appropriate, review the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from the Executive Director(s) and KMP in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

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A breakdown showing the level and mix of remuneration of each Director and KMP in bands of S$250,000 for FY2021 is set out below:

Remuneration Bands and Name of Director and CEO	Fees %	Salary %	Bonus %	Other benefits %	Total %
From S$250,000 to S$500,000					
Tanoto Sau Ian*	–	55	39	6	100
Below S$250,000					
Low Chee Chiew	100	–	–	–	100
Tan Wee Peng Kelvin	100	–	–	–	100
Djohan Sutanto	100	–	–	–	100
Yip Shee Yin	100	–	–	–	100
Lam Fong Kiew	100	–	–	–	100
Joseph Tan Chin Aik	100	–	–	–	100
Chia Heng Hian	100	–	–	–	100
Lee Kwang Ping	–	–	–	–	–
Lim Yew Tou Eric	–	–	–	–	–

* Note: Mr. Tanoto Sau Ian is also a substantial shareholder of the Company.

The Company is of the view that in a small and medium size enterprise environment, disclosure of the Directors' remuneration in bands of S$250,000 and above should be sufficient to provide an insight into the link between compensation and performance of the Directors and further details are deemed to be not in the interest of the Company due the sensitivities and confidentiality of remuneration.

Remuneration Bands and Name of Key Management Personnel	Fees %	Salary %	Bonus %	Other benefits %	Total %
Below S$250,000					
Teong Hwee Ting(1)	–	85	–	15	100
Aileen Oh Ai Li(2)	–	87	–	13	100

(1) Appointed as Group Financial Controller on 16 November 2020.
(2) Appointed as Group Legal Counsel on 23 November 2020.

Notwithstanding Provision 8.2 of the Code, there were two (2) KMPs (who are not Directors or the CEO) during FY2021. In view of sensitivity and confidentiality of remuneration, the Management opined not to disclose the aggregate total remuneration paid to the KMPs for FY2021. Further, the competition for talent in the industry is very keen and it is important that the Company retains its competent and committed staff to ensure the stability and continuity of business and operations of the Group.

There were no termination, retirement or post-employment benefits granted to Directors and KMP.

Other than Mr Tanoto Sau Ian, the Company does not have an employee who is a substantial shareholder of the Company or immediate family members of a Director, the CEO or a substantial shareholder and whose remuneration exceeds S$100,000 during FY2021.

Query from SGX-ST

Please provide details of the remuneration payable to Mr Tanoto from 1 April 2021 till date. In your disclosure, please provide the amounts and breakdown of remuneration (including other payments and benefits) paid and/or payable to Mr Tanoto on an annual financial year basis. Please include all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to Mr Tanoto, and also disclose details of employee share schemes (if applicable).

Company's response

The remuneration paid/payable to Mr Tanoto from 1 April 2021 till date are stated as below:

Financial year	Remuneration	Bonus	Benefits in kind
2022	288,000	137,500	17,340
2023	315,000	80,673	21,590
April 2023	27,500	13,750	3,358

In addition to the above remuneration paid/payable to Mr Tanoto, the company had disclosed the details of employee shares as follows:

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The Group has a performance share plan ("PSP") in place, which was approved by the shareholders of the Company at an Extraordinary General Meeting on 27 February 2015. The objectives of the PSP are set out as follows:

(a) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;

(b) to provide an opportunity for participants of the PSP to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;

(c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and

(d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

The RC is responsible for the administration of the PSP.

There were no shares awarded under the PSP during FY2021. Details of PSP can be found on page 39 under the Directors' Statement of this Annual Report.

Query from SGX-ST

Please provide the Remuneration Committee's assessment on the remuneration paid and/or payable to Mr Tanoto and the bases of its assessment.

Company's response

The criteria for assessment on the remuneration paid and/or payable to Mr Tanoto are disclosed by the Remuneration Committee as follows:

1. Growth in revenue;
2. Reduce outstanding loan with UOB;
3. Improvement in ROE for operations before devaluation in properties and taxes;
4. Develop new business with income to grow the revenue base;
5. Continue to drive and lead the legal cases, target to close suits S612 and S328; and
6. Maintain low HR turnover among managerial level.

With regard to the bases of the Remuneration Committee's assessment and in reference to Page 25 of the Annual Report 2021, the remuneration structure of the Executive Director(s) and KMP includes a direct performance-based variable component. This is in line with both market and best practices of structuring a proportion of KMP's remuneration to be directly linked to corporate and individual performance. As the Executive Director(s) and KMP of the Group are rewarded based on their achievement of key performance indicators, the actual results of the Group, and not any other assigned incentives, the "claw back" provisions in their employment contracts may therefore not be relevant or appropriate. The RC will, when appropriate, review the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from the Executive Director(s) and KMP in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

Considering the criterias of its assessment, the Remuneration Committee believes that Mr Tanoto's remuneration is in compliance with the Company's remuneration policies, and is in line with market practices.

Query from SGX-ST

Please address as to whether and how the Company has complied with Principle 7, Provision 7.1 and Principle 8 of the CG Code with regards to the remuneration paid/payable to Mr Tanoto for each of the financial years ended (i) 31 March 2022 and (ii) 31 March 2023.

Company's response

As mentioned in Page 25 of the Annual Report 2021, the remuneration structure of Executive Director(s) and KMP includes a direct performance-based variable component. This is in line with both market and best practices of structuring a proportion of KMP's remuneration to be directly linked to corporate and individual performance. As the Executive Director(s) and KMP of the Group are rewarded based on their achievement of key performance indicators, the actual results of the Group, and not any other assigned incentives, the "claw back" provisions in their employment contracts may therefore not be relevant or appropriate. The RC will, when appropriate, review the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from the Executive Director(s) and KMP in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

In essence, in determining the actual quantum of the variable component of remuneration, the Remuneration Committee of the Company takes into account the extent to which the performance conditions have been met. The Company would like to add that the assessment of the performance of its Executive Directors and KMP is also based on a balanced approach, comprising both financial and non-financial metrics that promote commitment and performance to the Group.

As such and in reference to the above statements, the Company considers itself compliant with Principle 7, Provision 7.1 and Principle 8 of the CG Code with regards to the remuneration paid/payable to Mr Tanoto for each of the financial years ended (i) 31 March 2022 and (ii) 31 March 2023.

By Order of the Board
USP GROUP LIMITED

Tanoto Sau Ian
CEO, Executive Director and Managing Director
29 May 2023