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

RESPONSES TO SGX-ST QUERIES ON THE COMPANY'S ANNUAL REPORT FOR FINANCIAL YEAR ENDED 31 MARCH 2021 PUBLISHED ON 13 FEBRUARY 2022

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 Limited (the "**SGX-ST**") to the Company in relation to the Company's Annual Report for Financial Year Ended 31 March 2021 ("**AR2021**") dated 13 February 2022.

SGX-ST's Query (i)

With reference to Listing Rule 1207(10), please provide the Board's comment on the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls) and risk management systems. Please also provide a statement on whether the Audit Committee concurs with the Board's comment. Where there are material weaknesses identified by the Board or Audit Committee, please disclose them together with the steps taken to address them.

Company's Response (i)

*(i) The Group has engaged independent auditors ("**IA**"), MS Risk Management Pte. Ltd. ("**MSRM**"). an affiliated firm of Moore Stephens LLP, to conduct an internal audit review on the Group.*

*(ii) An internal audit on PT Supratechnic Instrumensi Indonesia has been done by IA and the findings were reported to the Company's Audit and Risk Management Committee ("**ARMC**"). ARMC has reviewed the internal audit report and was satisfied that the issues highlighted were appropriately addressed.*

(iii) ARMC and IA would meet at least once per financial year in the absence of the Management to review and address any matters raised by IA.

(iv) The Management will continue to follow up closely on matters raised by MSRM and will evaluate, monitor material risks and report to the ARMC on a regular basis to ensure that all the issues, if any, are properly addressed.

(v) Significant risks or potential wrongdoing would be highlighted to ARMC and ARMC will assess whether further action or review is required.

(vi) Based on the internal controls established and maintained by the Group, assurance received from the CEO and other KMP, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the Board (with the concurrence of the ARMC) are of the opinion that the Group's risk management and internal control systems addressing financial, operational, compliance and information technology risks, were adequate and effective for FY2021.

(vii) The Board wishes to state that all systems within the Group are properly in place and in order. There will, however, always be room for improvement, and the Board, ARMC, and Management

will continue to work closely with IA to identify any significant risks and address them properly.

SGX-ST's Query (ii)(a)

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. In this regard:

Provision 2.4 of the Code states that:

"The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report."

We note that the Company has not disclosed its board diversity policy and progress made towards implementing the board diversity policy, including objectives. No explanations were provided for in your FY2021 annual report on how it is consistent with the intent of Principle 2 of the Code.

Please clarify how the practices the Company had adopted are **consistent with the intent of Principle 2 of the Code**, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's Response (ii)(a)

(i) The Board believes that the Board composition provides diversity in terms of skills, experience and knowledge to the Company. The Board has an appropriate mix of members from different background and experience such as lawyers, accountants, businessmen and even past government officers.

(ii) Various members of the Board have had prior experience sitting on the Board of other public-listed companies. Collectively, the current Board brings to the Company different sets of diverse skillsets and experience from their respective professions, enabling it to make decision in the best interest of the Company.

(iii) The Board is constantly on the lookout to appoint directors from both genders who possess the necessary diversified set of skills and experience.

SGX-ST's Query (ii)(b)

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. In this regard:

Provision 8.1 of the Code states that:

"*The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:*
(a) each individual director and the CEO; and
*(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personn*el."

We note the Company's disclosure on remuneration at pages 25 and 26 of the annual report for FY2021. Where the Company's practices deviate from the provisions of the Code, please explicitly state the provision from which it has deviated from and explain how the practices it had adopted are **consistent with the intent of Principle 8 of the Code**, which requires transparency 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 (ii)(b)

*(i) The Company believes that though the remuneration is not disclosed in dollars term and upper limit, there is disclosure on the level and mix of remuneration in percentage terms as set out in pages 24 to 27 of the AR2021. The Company has been disclosing the remuneration of each of the directors and key management personnel ("**KMP**") in bands of S$250,000, which is a deviation from Provision 8.1 of the Code, as the disclosure of total remuneration of individual directors was duly considered to be prejudicial to the Group's business interests due to such information being confidential and sensitive in nature, and would hamper the Company's ability to retain and nurture its talent pool.*

(ii) The Board is of the view that the disclosure in bands provides a sufficient overview of the remuneration received by the directors and KMP, in the interest of maintaining good morale and strong team spirit within the Group, while maintaining the confidentiality of their remuneration matters. Additionally, the information on the amounts paid to the directors and KMP of the Company is summarised at Note 32 of the AR2021 and provides that only the CEO, Tanoto Sau Ian, is receiving a salary from the Company despite serving as a director for other subsidiaries.

(iii) Taking into account the reasons for the deviation on disclosure, the disclosure of the remuneration of directors and KMP in bands in the AR2021, and the disclosures on Company's remuneration policies and practices, the Board believes that there is sufficient transparency on the Company's remuneration policies, level and mix of remuneration, procedure for setting remuneration and the relationships between remuneration, performance and value creation, consistent with Principle 8 of the Code.

SGX-ST's Query (iii)

Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.

Company's Response (iii)

*(i) For Financial Year ended 31 March 2021 ("**FY2021**"), the internal audit function was outsourced to MS Risk Management Pte. Ltd. ("**MSRM**"). MSRM is an affiliated firm of Moore Stephens LLP, a leading accounting and consulting firm that has been established in Singapore for more than 30 years.*

*(ii) MSRM is a member of the Institute of Internal Auditors Singapore ("**IIA**"). MSRM's staff possess the necessary qualifications and experience to review and verify the controls of the Group's processes to be consistent with the International Standards for the Professional Practice of Internal Auditing, as laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.*

*(iii) The internal audit team is led by Ms Lao Mei Leng ("**Ms Lao**"), a Director of MSRM and an Audit Partner of Moore Stephens LLP. Ms Lao is a practicing member of the Institute of Singapore Chartered Accounts ("**ISCA**"), a member of the IIA and Singapore Institute of Directors ("**SID**"). She has more than 20 years of audit experience and provides audit services, documentation of*

policies and procedures, sustainability reporting, SOX compliance and corporate governance review services to a number of public-listed companies, MAS-regulated entities and government agencies. Ms Lao is assisted by a Manager who directly oversees the engagement team and has over 10 years of experience in providing risk management services.

(iv) *Accordingly, the ARMC, which reviews the adequacy and effectiveness of the internal audit function annually, together with the Board, are sufficiently satisfied that the Internal Auditor is independent, effective and adequately resourced, and is staffed with persons with the relevant qualifications and experience.*

By Order of the Board
USP GROUP LIMITED

Tanoto Sau Ian
CEO and Executive Director
25 February 2022