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

REQUISITION OF EXTRAORDINARY GENERAL MEETING

1. The board of directors ("**Board**") of USP Group Limited ("**Company**") refers to its announcement dated 27 October 2022 in relation to the Notice of Requisition that it had received from Hinterland Energy Pte. Ltd. ("**Hinterland Energy**"), Harmonic Brothers Pte. Ltd. ("**HB**"), Mr. Hia Yi Heng ("**HYH**") and Mr. Lim Shiwei ("**LS**" and collectively with Hinterland, HB and HYH, the "**Requisitioning Members**") ("**Announcement**"). Unless otherwise defined, all capitalized terms used in this announcement shall bear the same meanings as ascribed to them in the Announcement.

2. The Board has carefully considered the Notice of Requisition and wishes to inform shareholders of the Company (the "**Shareholders**") that Company will not be convening an extraordinary general meeting ("**EGM**"). The Board also sets out its comments to each of the resolutions proposed in the Notice of Requisition.

2.1 Resolution 1: Removal of Mr. Tanoto Sau Ian ("**TSI**") from his office as Chief Executive Officer, Executive Director and Managing Director of the Company with effect from the date of the EGM.

(a) In the Notice of Requisition, it is telling that the Requisitioning Members did not specify that TSI is not qualified or lacking in credentials and/or experience to hold his office as Chief Executive Officer, Executive Director and Managing Director of the Company.

(b) Since TSI took office as Chief Executive Officer, Executive Director and Managing Director on or about 20 February 2020, and despite the COVID-19 pandemic, the Company's performance has improved. Please see paragraph 3.3 below.

(c) TSI's involvement in multiple legal suits does not distract him from effectively serving a Chief Executive Officer, Executive Director and Managing Director of the Company.

(i) For completeness, the legal suits that TSI are/were personally involved in are as follows:

I. a claim commenced by Oon Koon Cheng against, amongst others, TSI in HC/S 612/2020 ("**OKC's Claim**");

II. a claim commenced by Sunmax Global Capital Fund Pte. Ltd. ("**Sunmax**") against TSI in HC/S 164/2021 ("**Sunmax's Claim**");

III. a claim commenced by Hinterland Group Pte Ltd ("**Hinterland Group**"), which is the sole shareholder of Hinterland Energy, against TSI in HC/OC 262/2021 ("**Hinterland's Claim**"); and

IV. a claim threatened to be commenced by Mr. Huang Zhi Rong ("**HZR**") after his position as strategic legal consultant with the Company was terminated ("**HZR's Claim**").

(ii) As acknowledged by the Requisitioning Members at paragraph 4.3 of the Notice of Requisition, details of OKC's Claim were previously disclosed in the Company's Annual Report 2020 for the year ended 31 March 2020 (which was released on 21 January 2021). Please note that, amongst others, Sunmax, Mr. Li Hua ("**LH**") (Sunmax's shareholder and former director) and HZR are also defendants in OKC's Claim.

(iii) In relation to Sunmax's Claim,

I. Sunmax has alleged, amongst other things, that:

- pursuant to a share purchase agreement dated 13 December 2019 between Sunmax and TSI (the "**Sunmax SPA**"), Sunmax agreed to sell and TSI agreed to buy 12,800,000 ordinary shares in the Company (the "**Sunmax Sale Shares**"). The Sunmax Sale Shares represent approximately 14% of the Company's issued and paid-up share capital. The Sunmax Sale Shares were transferred to TSI;

- TSI breached the Sunmax SPA by failing to pay part of the consideration due and payable under the same; and

- By reason of TSI's breaches of the Sunmax SPA, the beneficial ownership of the Sunmax Sale Shares did not pass from Sunmax to TSI;

II. TSI's position, amongst other things, is that:

- LH represented that, despite the condition precedent in the Sunmax SPA not being satisfied, Sunmax will still proceed to transfer the Sunmax Sale Shares to TSI;

- Sunmax and TSI subsequently entered into a collateral agreement pursuant to which the final price of the Sunmax Sale Shares was to be re-assessed; and

- TSI has made payments to Sunmax and/or LH in respect of the Sunmax Sale Shares.

(iv) In relation to Hinterland Group's Claim,

I. Hinterland Group has alleged that, pursuant to a loan agreement and a sale and purchase agreement dated 23 August 2021 (the "**Hinterland Collateral Agreement**"), it agreed to lend SGD1 million to TSI (the "**Hinterland Loan**") and agreed to purchase 12,800,000 ordinary shares in the Company from TSI; and

II. TSI's position is that he had executed the Hinterland Collateral Agreement under duress / undue influence as well as in reliance of certain representations that the Hinterland Collateral Agreement was a form of security for the Hinterland Loan and that it would not be enforced as well as that, in any case, the Hinterland Loan has been repaid and the rights under the Hinterland Collateral Agreement have extinguished;

(v) In relation to HZR's Claim,

I. pursuant to a consultancy agreement dated 4 July 2020, the Company appointed HZR as a strategic legal consultant (the "**HZR Consultancy Agreement**");

II. on or about 29 August 2022, the HZR Consultancy Agreement was terminated;

III. on or about 26 September 2022, HZR served a statutory demand under section 312 of the Insolvency, Restructuring and Dissolution Act 2018 of Singapore on TSI ("**HZR's Statutory Demand**");

IV. in HZR's Statutory Demand, it was alleged that HZR had provided an aggregate sum of SGD110,000 to TSI as a personal loan and TSI had only repaid a sum of SGD60,000 such that a balance sum of SGD50,000 remained due and outstanding ("**HZR Outstanding Sum**"); and

V. in any case, on or about 18 October 2022, TSI has since paid the HZR Outstanding Sum.

(d) TSI's remuneration for the financial year ended 31 March 2021 was recommended by the Company's Remuneration Committee and approved by the Board. The Remuneration Committee's recommendation was based on, amongst other things, TSI's performance as well as the Company's first quarter and second quarter financial results for the period ended 30 June 2020 as well as 30 September 2020 respectively. In particular,

(i) from 1 June 2020, TSI and the key management personnel of the Group had voluntarily taken a pay-cut of approximately 30% whilst the management and rest of the employees of the Group had taken a pay cut ranging from 10% to 20%;

(ii) given that issuance of shares under the Company's performance share plan was not possible in light of the injunction obtained by OKC against the Company on 9July 2020. Please refer to the Company's announcement dated 12 July 2020 for more information;;

(iii) in considering the revision to TSI's remuneration, the Company's Remuneration Committee reviewed, amongst other things, the following documents:

I. the Korn Ferry Hay Group 2016/2017 CEO Compensation Study Executive Summary;

II. an article dated 14 September 2017 extracted from the Business Times titled "CEO pay at Singapore-Listed firms not aligned with performance: study";

III. the Singapore Report on Remuneration Practices, Volume 1; and

IV. an article dated 17 January 2018 extracted from the Business Times titled "Benchmarking as a tool for determining pay";

(iv) having reviewed the performance of TSI, the above-mentioned documents, the Company's first quarter and second quarter financial results for the period ended 30 June 2020 as well as 30 September 2020 respectively, the remuneration of the former chief executive officer and executive director of the Company, the Remuneration Committee recommended that TSI's monthly remuneration be revised to S$25,000 per month with effect from 1 January 2021 and that bonus be declared to TSI with the amount of such bonus being the difference between the revision and his actual drawn remuneration from June 2020 to December 2020 on a post-performance basis.

2.2 Resolution 2: Removal of Mr. Djohan Sutanto ("**DS**") from his office as Non-Executive Chairman and Independent Director of the Company with effect from the date of the EGM.

(a) In the Notice of Requisition, it is telling that the Requisitioning Members did not specify that DS is not qualified or lacking in credentials and/or experience to hold his office as Non-Executive Chairman and Independent Director of the Company.

(b) Since DS took office as Non-Executive Chairman and Independent Director on or about 11 August 2020, and despite the COVID-19 pandemic, the Company's performance has improved. Please see paragraph 3.3 below.

2.3 Resolution 3: Removal of Mr. Joseph Tan Chin Aik ("**TCA**") from his office as Independent Non-Executive Director of the Company with effect from the date of the EGM;

(a) In the Notice of Requisition, it is telling that the Requisitioning Members did not specify that TCA is not qualified or lacking in credentials and/or experience to hold his office as Independent Non-Executive Director of the Company.

(b) Since TCA took office as Independent Non-Executive Director on or about 22 December 2020, and despite the COVID-19 pandemic, the Company's performance has improved. Please see paragraph 3.3 below.

2.4 Resolution 4: Removal of Mr. Tay Lak Khoon ("**TLK**") from his office as Non-Independent Non-Executive Director of the Company with effect from the date of the EGM;

(a) In the Notice of Requisition, it is telling that the Requisitioning Members did not specify that TCA is not qualified or lacking in credentials and/or experience to hold his office as Non-Executive Chairman and Independent Director of the Company.

(b) Since TLK has taken office as Non-Independent Non-executive Director on or about 30 May 2022, the Company's performance has improved. Please see paragraph 3.3 below.

2.5 Resolution 5: Removal of Mr. Tang Mun Tak ("**TMK**") from his office as Independent Non-Executive Director of the Company with effect from the date of the EGM;

(a) In the Notice of Requisition, it is telling that the Requisitioning Members did not specify that TMK is not qualified or lacking in credentials and/or experience to hold his office as Independent Non-Executive Director of the Company.

(b) Since TMK has taken office as Non-Independent Non-Executive Director on or about 30 May 2022, the Company's performance has improved. Please see paragraph 3.3 below.

2.6 Resolution 6: Appointment of Mr. Teo Kiam Meng ("**TKM**") as Executive Director of the Company with effect from the date of EGM;

(a) In the Notice of Requisition, the Requisitioning Members did not specifically explain how TKM would maximise value for the Shareholders of the Company as an Executive Director.

(b) The Board would also like to point out that the Requisitioning Members may directly approach the Nominating Committee directly in respect of the process of nominating and appointing directors for the Company.

2.7 Resolution 7: Appointment of Mr. Tan Chade Phang (Chen Yifan) ("**TCP**") as the Lead Independent Non-Executive Director of the Company with effect from the date of EGM;

(a) In the Notice of Requisition, the Requisitioning Members did not specifically explain how TCP would maximise value for the Shareholders of the Company as Lead Independent Non-Executive Director.

(b) The Board would also like to point out that the Requisitioning Members may directly approach the Nominating Committee in respect of the process of nominating and appointing directors for the Company.

2.8 Resolution 8: Appointment of Mr. Chia Heng Chian ("**CHC**") as an Independent Non-Executive Director of the Company with effect from the date of EGM;

(a) In the Notice of Requisition, the Requisitioning Members did not specifically explain how CHC would maximise value for the Shareholders of the Company as an Independent Non-Executive Director.

(b) In particular, there may be an issue of lack of independence as CHC was a former director of the Company from 22 December 2020 to 28 February 2022. CHC was not re-elected at the annual general meeting of the Company that was held on 28 February 2022 and he was initially recommended to be a director of the Company by HZR.

(c) The Board would also like to point out that the Requisitioning Members may directly approach the Nominating Committee in respect of the process of nominating and appointing directors for the Company.

2.9 Resolution 9: Appointment of Mr. Chan Chung Khang ("**CCK**") as an Independent Non-Executive Director of the Company with effect from the date of EGM.

(a) In the Notice of Requisition, the Requisitioning Members did not specifically explain how CCK would maximise value for the Shareholders of the Company as an Independent Non-Executive Director.

(b) The Board would also like to point out that the Requisitioning Members may directly approach the Nominating Committee in respect of the process of nominating and appointing directors for the Company.

3. The Board would also like to address various other allegations raised in the Notice of Requisition.

3.1 The Company has only commenced legal proceedings to advance or protect its legitimate interests

(a) The Requisitioning Members have falsely alleged that there have been "*more than 10 legal suits since 2019 involving the Company*".

(b) The Company had already commenced two (2) legal proceedings in 2019 (i.e. HC/S 115/2020 and HC/S 116/2020) when the current members of the Board were appointed on 20 February 2020 and these two legal suits were concluded in that a consent order was made on 18 January 2022. Please refer to the Company's announcement dated 20 February 2022.

(c) As a policy, the current members of the Board ensures that the Company seeks professional advice prior to the commencement of any legal proceedings.

(d) Please find set out below a summary of the outstanding legal proceedings that the Company is currently involved in.

Legal proceedings	**Company's status**	**Status of proceedings**	**Professional advisers and representation**
High Court ("**HC**") Suit No. S328/2020	Plaintiff	Scheduled for trial in April and 2023	RHT Intelligence Network Pte Ltd and Luo Ling Ling LLC
HC Suit No. S292/2021	Plaintiff	Hearing on 27 January 2023 for decision	RHT Intelligence Pte Ltd and Hoh Law Corporation
HC Suit No. S855/2020	Plaintiff	Judgment granted in favour of Defendant. Hearing on 27 January 2023 for decision on costs	RHT Intelligence Pte Ltd and Hoh Law Corporation
HC Suit No. S88/2021	Plaintiff	Pre-Trial Conference on 7 December 2022	The Company's former director, HZR and Luo Ling Ling LLC
HC Suit No. S130/2021	Plaintiff	Pre-Trial Conference on 7 December 2022	HZR and Luo Ling Ling LLC
HC Suit No. S612/2020	Defendant	Scheduled for trial in April and 2023	Luo Ling Ling LLC
HC Suit No. BC 60/2022	Respondent	Appeal hearing fixed on 18 November 2022 and judgment reserved.	Hoh Law Corporation

3.2 The directors who departed the Board in the past two (2) years and their reasons for doing so are as follows:

Name	Former position	Departure	Reason for resignation
Mr. Tan Wee Peng Kelvin	Director	Resigned on 30 September 2020	To pursue other commitments.
Mr. Low Chee Chiew	Director	Resigned on 30 September 2020	To pursue other interest.
Mr. Yip Shee Yin	Director	Resigned on 21 December 2020	Unable to devote full attention to the Company due to other commitments.
Ms. Lam Fong Kiew	Director	Resigned on 22 December 2020	Due to preoccupation of urgent domestic matters that will significantly affect her effective contrition to the Company.
Mr. Lew Kwang Ping	Director	Resigned on 29 September 2021	Due to doctor's advice to take a break and recuperate.
Mr. Chia Heng Chian	Director	Failed to be re-elected on 28 February 2022	Retired at the conclusion of the Annual General Meeting held on 28 February 2022 ("**AGM 2022**").
Mr. Lim Yew Tou, Eric	Director	Failed to be re-elected on 28 February 2022	Retired at the conclusion of AGM 2022

3.3 The Requisitioning Members have falsely alleged that the Company is in a "loss making situation" and that the Board as well as the management of the Company lack support from Shareholders.

(a) The Company is not in a "loss making situation". Despite the COVID-19 pandemic, the Company's revenue, gross profit, gross profit margin as well as net profit (before tax) have improved on a year-on-year basis.

	Q4 2021 S$'000	Q4 2022 S$'000	Approximate Change
Revenue	34,077	40,944	+20%
Gross profit	11,840	16,232	+37%
Gross profit margin	35%	40%	+5%
Net profit (before tax)	1,419	6,286	+543%

(b) Separately, the Company's wholly owned subsidiary, Supratechnic Pte. Ltd. ("**Supra**"), has on 22 November 2022, granted an option to purchase to Liang & How Contractor Pte. Ltd. to purchase Supra's property at 16A Joo Koon Circle, Singapore 629048 (the "**Property**") on the terms and conditions set out in the OTP (the "**Proposed Disposal**"). The consideration for the Property is Singapore Dollars Five Million and Three Hundred Thousand (S$5,300,000). The net proceeds arising from the Proposed Disposal shall be transferred to United Overseas Bank Limited for the purposes of repaying Supra's outstanding trade financing and defaulted bank loans. Please refer to the Company's announcement dated 22 November 2022 for more information.

(c) Upon completion of the Proposed Disposal, the outstanding trade financing and defaulted bank loans would be pared down to approximately S$6,464,000 from S$13,744,000. For the avoidance of doubt, the outstanding trade financing and defaulted bank loans were legacy issues inherited from the previous management and Board before the current management and Board came on board.

(d) The Board wishes to state that 79% of the Group's revenue was contributed by the marine distributors and dealership. Further, the Company, through its subsidiary, Supra, has extended its current distributor agreement Mercury Marine Singapore Pte Ltd for a further two (2) years until 31 December 2024.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company. If in doubt about the action they should take, shareholders and potential investors of the Company should consult their stockbrokers, bankers, solicitors, accountants, tax advisers and/or other professional advisers.

BY ORDER OF THE BOARD
USP Group Limited

Tanoto Sau Ian
Chief Executive Officer, Managing and Executive Director
24 November 2022