



PAN-UNITED CORPORATION LTD

(Incorporated in the Republic of Singapore)
(Company Registration No: 199106524G)

RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE COMPANY'S ANNUAL REPORT 2019

The Board of Directors of Pan-United Corporation Ltd (the "Company", and together with its subsidiaries, the "Group") wishes to provide the following information in response to questions from the Securities Investors Association Singapore ("SIAS").

SIAS's Questions:

Q1. As disclosed in the performance review of the group's Singapore business (page 14 of the annual report), the group had a good year supplying high volumes of specialized concrete products across diverse sectors, such as large-scale infrastructure projects, commercial developments and institutions.

According to an earlier Building and Construction Authority (BCA) report in January 2020, the total construction demand in 2020 is estimated to range between \$28 billion and \$33 billion. Ready-mix concrete demand was projected to grow by 16% to approximately 14-15 million m³.

(i) **Would management be providing shareholders with an update on the group's operations due to the government measures to stop the spread of the COVID-19 outbreak?**

Company's Responses:

- Since February, the Group has complied fully with the government measures imposed in relation to COVID-19. Our utmost priority is the safety of our employees and customers.
- We were initially very encouraged that the high demand for ready-mix concrete ("RMC") in 2019 continued into the first quarter of 2020. However, our business in Singapore was adversely impacted when the circuit breaker measures were imposed on 7 April 2020, resulting in most of the construction projects in Singapore being suspended. This has adversely affected the entire construction industry, including our company.
- Since 7 April 2020, we were only able to supply our products to a few permitted construction projects.
- Although the circuit breaker measures have gradually been lifted under Phase 1 (which commenced on 2 June 2020) and Phase 2 (which commenced on 19 June 2020) of the three-phased approach for the resumption of activities, construction projects have not fully resumed. This is attributed to the additional safe and controlled restart measures required to be fulfilled by each construction project, before they can resume.
- Examples of these measures include having all the foreign workers involved in a project to be tested for COVID-19 and be housed together. As publicly reported, it will take time for all the foreign workers staying in dormitories to be tested and the relevant housing measures to be implemented.

- The delay in the resumption of construction projects due to control and restart measures will result in the Company generating little revenue in 2Q 2020. While this disruption is expected to be temporary, we expect the construction sector to only pick up gradually due to the time required for our customers to fulfil the measures before their construction projects can resume. We are ready to ramp up our operations once the construction activities pick up.

ii) **How does the group house its foreign workers?**

Company's Responses:

- While the bulk of our foreign employees residing in Singapore do not live in dormitories, a small number of them do stay in factory-converted dormitories.

(iii) **Given the disruption to the construction industry, what are the levers available to the group to minimise the operational and financial impact? Even after the relaxation of the circuit breaker rules, a safe and controlled restart of the construction sector will see a gradual resumption of construction activities. For the month of June, BCA expects only 10% of the construction workforce to return to work.**

Company's Responses:

- The circuit breaker and the delay in the resumption of construction activities spanning over 3 months have adversely impacted the entire construction industry, including our company.
- While the Group started the year with a strong balance sheet with low net gearing, we had deferred all non-essential capital investments and recruitment, for prudence in response to the pandemic. We have also stopped all substantial discretionary expenditures.
- The Group has ensured compliance with the safe distancing measures imposed by the authorities. The team has also adjusted well to working from home through the adoption of digital tools, while making good use of the downtime to conduct training and accelerated digitalisation.
- Based on what's publicly reported on the number of foreign workers cleared to return to work in construction projects in June, we are certain that we will not be generating much revenue in 2Q 2020 due to the circuit breaker period and measures. Demand from July will gradually pick up in tandem with the progressive resumption of construction projects expected.

(iv) **Are there opportunities to further consolidate the group's market leadership position during this challenging time?**

Company's Responses:

- We continually look to improve our industry leadership in the areas of innovation and digitalisation. This is in line with our vision to become a technology company in the concrete and logistics space.

(v) **Does the group see any silver lining during this challenging time?**

Company's Responses:

- During this challenging time, we believe that our ability to leverage on our existing technological advancements will be important and beneficial to our customers.
- Our concrete technologies and process innovations can help our customers ensure the resumption of construction work in a safe and efficient manner.
- For example, we recently produced a cost-effective new generation self-compacting concrete that completely eliminates the need for workers to manually vibrate and compact ready-mix concrete ("RMC") for structural integrity.
- Further, our fully-digitalised platform minimises the need for physical contact between our employees, our customers and our workers, while the provision of electronic delivery orders and invoices allows our customers to manage and process such essential documents seamlessly without having to physically circulate such documents to other parties, thus saving time and costs.
- Another silver lining for our group is that we are in a position to offer flexible working arrangements and have accelerated our adoption of digital tools.

Q2. As noted in the chairman's message, the group achieved a breakthrough in 'tech-rupting' the industry with technology platforms that can be shared with other players regionally and even globally.

The group launched the GoTruck! Platform to allow transportation companies, construction firms and building materials suppliers to better manage their resources. This perhaps could be thought of as a "uber" for tipper trucks.

The group also succeeded in getting traction for its evolutionary intelligent optimization platform, Artificial Intelligence for Ready-Mix Concrete or AiR. Offered as a software as a service (SaaS), the group signed up South Korea's largest ready-mix concrete company, Eugene Corporation, to its AiR platform to optimize the operational supply chain through the digitalization of its entire end-to-end operations.

(i) **Can management help shareholders understand the business case for its "tech-ruption"? Are the services and platforms going to grow into significant contributors of revenue and profit for the group?**

Company's Responses:

- The benefits of disrupting our own industry, and being the first to do so, are indisputable.
- Originating as a brick-and-mortar business, we foresaw many opportunities to innovate through the use of technology. In this regard, we have been investing in this area for some years. We have moved away from the brick-and-mortar modus operandi and are moving towards a more innovative business model; we are planning for revenue growth through these technology-enabled businesses. With companies moving to adopt digital tools following the lockdowns imposed in many countries, we expect more business opportunities for our technology-enabled solutions.

(ii) **Would AiR be particularly useful as the construction sector gradually gets back on its feet?**

Company's Responses:

- We believe that AiR would be useful for most concrete companies and their customers, not just in Singapore but also overseas, in helping them to digitalise their operations.
- With AiR, our customers can look to streamline their day-to-day operations, improve productivity, reduce manpower wastage and produce substantial cost savings. AiR minimises the need for physical contact between our employees, our customers and our workers, thus facilitating work-from-home arrangements.
- AiR will also provide our customers with a seamless and contactless service delivery through the provision of electronic delivery orders and invoices. This will enable our customers to manage the processing of such documents from home, thereby reducing time and costs.

(iii) **Still on the topic of innovation, how does the group commercialise its wide range of specialised sustainable concrete that the group develops in its Innovation Centre?**

Company's Responses:

- We have developed our range of specialised and sustainable concrete products with the aim of commercialising them.
- Besides innovating and developing our own product range, we also work with our stakeholders to develop new concrete-mix designs to address their specific needs for each challenging project, while supporting the latest standards in structural design and safety.

Q3. At the annual general meeting scheduled to be held on 23 June 2020, Mr Ch'ng Jit Koon has decided not to seek re-election and will retire as a director of the company.

Mr Ch'ng Jit Koon has been the chairman of Pan-United Corporation Ltd since April 1997.

In addition, the dates of first appointment and other details of the directors are shown on page 30 of the annual report and reproduced below:

The dates of first appointment and last re-election of each director are set out below:

Name of director	Age	Position	Date of first appointment	Date of last re-election
Ch'ng Jit Koon	86	Chairman, Independent Director	01/04/1997	26/04/2017
Patrick Ng Bee Soon	57	Deputy Chairman	25/05/1993	26/04/2017
Ng Bee Bee	52	Chief Executive Officer	31/01/2004	29/04/2019
Cecil Vivian Richard Wong	97	Independent Director	01/10/1992	26/04/2018
Tay Siew Choon	72	Independent Director	01/02/2005	29/04/2019
Soh Ee Beng	52	Independent Director	17/12/2018	29/04/2019
Fong Yue Kwong	67	Independent Director	01/03/2020	-

(Source: company annual report)

The average age of the independent directors is approximately 75 years old. The company newly appointed Mr Soh Ee Beng and Mr Fong Yue Kwong as independent directors in December 2018 and March 2020 respectively. The average tenure of the other independent directors is approximately 22 years.

- (i) **Mr Ch'ng Jit Koon is set to retire as chairman of the board after more than 23 years. Would the nominating committee elaborate further on the succession plans for directors, especially the chairman? How would the board be selecting the new chairman?**

Company's Responses:

- An announcement will be made in relation to the appointment of a new chairman after the AGM.

In the company's response to queries raised by SGX-ST dated 27 April 2020, the company has stated that it has not adopted a formal board diversity policy. But the company recognises and embraces the importance and benefits of having a diverse board to enhance the quality of its performance.

- (ii) **Would the NC consider formalising the company's current practices, and to incorporate other best practices, into a formal board diversity policy?**

Company's Responses:

- Notwithstanding that there is no formal board diversity policy, the NC recognises and embraces the importance and benefits of having a diverse Board and considers the issue of board diversity from time to time.

In addition, in the company's Report on Corporate Governance, it was stated that the NC will take the lead in identifying, evaluating and selecting suitable candidates as new directors for the board's consideration. The NC may engage, if necessary, external search consultants or other advisers to assist with the identifying and short-listing of potential candidates.

- (iii) **Would the NC elaborate further on how its search and nomination process would support board diversity? Would the NC consider making use of a professional search firm as the default practice to enable the board to cast its net wider and further improve the diversity of the candidate pool?**

Company's Responses:

- The NC takes the lead in identifying and evaluating suitable candidates based on a selection criteria determined in consultation with Board.
- This criteria includes integrity, expertise, industry experience and financial literacy, thereby allowing the Board to select candidates with the appropriate level of expertise and experience.
- The selection and nomination process involves a consideration of the skills, expertise and attributes of the existing board members. Candidates will then be selected based on whether they possess the requisite skills, expertise and experience to add to the diversity of the Board and to support the Group's strategies and vision.
- Should the need arise, the NC may engage external search consultants or other advisers to assist with the identifying and short-listing of potential candidates.

By order of the Board

Kevin Cho
Company Secretary
22 June 2020