



PAN-UNITED CORPORATION LTD
(Incorporated in the Republic of Singapore)
(Company Registration No: 199106524G)

REPLY TO SGX QUERIES REGARDING THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors of Pan-United Corporation Ltd (the "Company" and together with its subsidiaries, collectively the "Group") refers to the following queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on 23 April 2021 and would like to provide additional information in relation to the Company's Annual Report for the financial year ended 31 December 2020 ("Annual Report"), as follows:

SGX-ST's Query:

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. We note that the Company had not complied with Provision 2.4 of the Code as you have not explained how the Company's practices are 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:

The Company recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of its performance. Although the Company has not adopted a formal board diversity policy, the Nominating Committee ("NC") has been tasked to implement measures and practices that are consistent with the intent of Principle 2 of the Code, such as ensuring that the Board and Board Committees are of an appropriate size, the selection and nomination of suitable candidates from diverse backgrounds to be appointed as new director(s) of the Company and review the composition of the Board to achieve an appropriate level of independence and diversity in the Board so as to achieve the objective of fostering constructive debates and avoiding groupthink.

As at the date of the Annual Report, the Board comprises seven directors including four independent directors. The members of the Board possess complementary skillset and knowledge, including but not limited to finance, investment and management, and wide experience in multi-industries. The Company has two female directors on the Board. The Company is of the view that there is an appropriate level of independence and diversity in the Board.

The independent directors are respected members of the business community and they provide core competencies such as accounting, finance, business acumen and management expertise. The Board is of the view that they contribute to the strong independent element of the Board.

The Board, supported by the NC, reviews regularly the Board's diversity of thought and background through covering various aspects, such as skills, experience, background, gender, age, ethnicity and culture, tenure of service, independence and other distinguished qualities, to enhance the decision-making capability and foster constructive debates. The Board, with the concurrence of the NC, is also of the view that the composition of the Board and the Board Committees, as a group, provides an

appropriate balance and diversity of skills, experience, gender, age and knowledge of the Group. No individual or group dominates the Board's decision-making process.

The non-executive directors, who make up a majority of the Board, always constructively challenge and help develop proposals on strategy and review Management's performance in meeting agreed goals and objectives, and monitor the reporting of Management's performance.

The NC, in its annual review of the appropriate size and composition of the Board, may make recommendations to the Board for new board appointments. The NC will take the lead in identifying, evaluating and selecting suitable candidates as new directors for the Board's consideration. The NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with appropriate expertise and experience for the appointment as new director. The selection criteria include integrity, expertise, industry experience and financial literacy.

The Board, with the concurrence of the NC, having reviewed and considered the size and mix of the Board and the Board Committees, is of the view that the current board composition is appropriate for the nature and scope of the Company's operations and facilitates effective decision making for the existing needs and demands of the Group's businesses.

The Company is of the view that the practices the Company has adopted and disclosed on pages 34 and 35 of the Annual Report are consistent with the intent of Principle 2 of the Code. The Company is also of the view that the Board has 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.

SGX-ST's Query:

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. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration of the directors, CEO and key management personnel, and there were no explanations provided for in your FY2020 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company 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:

The Company has stated on page 37 of the Annual Report that an appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

Non-executive directors are paid directors' fees while executive directors are not paid directors' fees. The Remuneration Committee ("RC") recommends the directors' fees to the Board annually, after taking into consideration factors such as effort, time spent, contribution, responsibilities and the level of fees of directors in similar industries. The Chairman of each Board Committee is paid a higher fee because of the greater responsibility carried by that office. The RC ensures that non-executive directors are not over-compensated to the extent that their independence may be compromised. Members of the RC do not participate in any discussions or decisions concerning their own remuneration. Directors' fees are subject to shareholders' approval at the Company's annual general meetings.

The Company has also stated on page 38 of the Annual Report that given the sensitivity and confidentiality of remuneration matters and the highly competitive industry conditions of the Group's

operations, the Company has not disclosed the exact details of the remuneration of the CEO and the directors. The Company has, however, disclosed the remuneration of the CEO and the directors in bands of \$250,000. On the same token, the Company believes that the disclosure of the names, amounts and breakdown of remuneration of the top five key management personnel as recommended by the Code would be disadvantageous to the Group's interests. On page 98 of the Annual Report, the Company has also disclosed the aggregate amount of the total remuneration paid to its three top key management personnel. Based on the reasons provided, the Company wishes to continue with its current practices for the disclosure of such remuneration.

The Company is of the view that the practices the Company has adopted and disclosed on pages 37, 38 and 98 of the Annual Report 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.

SGX-ST's Query:

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. We note that the Company had not complied with Provision 8.2 of the Code with regards to the disclosure of Ms Ng Bee Bee's remuneration, and there were no explanations provided for in your FY2020 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company 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:

The Company has disclosed the remuneration of each director of the Company in bands of \$250,000 on page 37 of the Annual Report. The disclosure also included the Company's Chief Executive Officer, Ms Ng Bee Bee, who is also a director of the Company and a substantial shareholder of the Company.

Save for the above disclosures, there are no other employees who are substantial shareholders of the Company or immediate family members of the CEO, a director or a substantial shareholder who were paid remuneration that exceeded \$100,000 for the financial year ended 31 December 2020.

The Company believes that the level of information that has been disclosed on pages 37 and 38 of the Annual Report is consistent with the intent of Principle 8 of the Code and provides for sufficient 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.

By order of the Board

Kevin Cho
Company Secretary
26 April 2021