



**PAN-UNITED CORPORATION LTD**

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

**ANNUAL GENERAL MEETING TO BE HELD ON 23 JUNE 2020  
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

The Board of Directors of Pan-United Corporation Ltd (the "Company") would like to thank all shareholders who had submitted their questions in advance of our Annual General Meeting ("AGM") to be held by electronic means on 23 June 2020 at 2.30 pm.

**Responses to substantial questions relevant to the Resolutions**

We have received several questions relating to the COVID-19 impact on the Group and the Group's business performance/outlook. As there are areas of overlap in the scope of the questions raised, we are not providing a response to every question received. Instead, where there is an overlap in the scope of the questions raised, we have consolidated these questions together and provided our corresponding responses to them.

**1. Can you brief us of the business disruption by COVID-19 in Singapore, Malaysia and Vietnam?**

Our utmost priority is the safety of our employees and customers.

Singapore:

Since February, the Group has complied fully with the government measures imposed in relation to COVID-19.

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.

- 1) 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.
- 2) 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.
- 3) 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.

Malaysia:

- 4) A Movement Control Order ("MCO") was imposed in Malaysia in response to the COVID-19 pandemic, which commenced on 18 March 2020. During this period, only certain types of construction projects were allowed to continue operations. Work has progressively resumed since May 2020, and Malaysia has moved into the "Recovery MCO" phase on 10 June 2020, whereby most of the economic sectors were reopened.

Vietnam:

- 5) In Ho Chi Minh, construction activity slowed as a result of social isolation measures implemented. The demand for RMC was therefore also consequentially impacted with the slowdown in the construction sector.

**2. What measures have been taken to mitigate the effects of COVID-19? To what extent will it affect the Company's performance for 2020?**

- 1) 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.
- 2) 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.
- 3) 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 accelerate digitalisation.
- 4) 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 safe and controlled restart measures required. Demand from July 2020 is expected to pick up gradually in tandem with the progressive resumption of construction projects expected.

**3. What is the number of foreign workers (Malaysians and others) in our company impacted by COVID-19? Have our staff resumed work and full strength?**

The bulk of our foreign employees residing in Singapore do not live in dormitories. We foresee no issues fulfilling the demand for RMC when our customers resume their construction projects.

**4. Could the company give brief quarterly updates?**

As previously announced, the Company shall announce its unaudited financial statements on a half-yearly basis, in line with the applicable requirements under the Listing Manual.

The Company will still continue to comply with its disclosure obligations and keep shareholders updated as and when appropriate, should there be any material developments.

**5. What is the biggest risk to the company?**

In the Company's opinion, the biggest risk in the short term is any further delay in the resumption of construction activity in Singapore.

**6. How do you envisage post COVID-19 will be like for the company? in respect of risk, business, operations, operating margin, etc and is there any silver lining?**

- 1) During this challenging time, we believe that our ability to leverage on our existing technological advancements will be important and beneficial to our customers.
- 2) Our concrete technologies and process innovations can help our customers ensure the resumption of construction work in a safe and efficient manner.
- 3) 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.
- 4) 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 electronic 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.
- 5) 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.

**7. What is the current potential bad debt exposure of PUC to its customers' cash-flow problems? What about our own company's cash flow situation? Any update to your outlook for building materials prices?**

- 1) While we are mindful of the additional risk of bad debts under the current operating environment, we have put in additional resources to minimize the risk and will continue to monitor the situation closely.
- 2) The Group started the year with a strong balance sheet with low net gearing. For prudence, we had deferred all non-essential capital investment in response to the pandemic.
- 3) Singapore imports all the raw materials, like ordinary Portland cement, aggregates and sand, for the production of ready-mix concrete. The prices of the raw materials depend on the demand and supply of such materials in the source countries. As these countries are just coming out of their lockdowns and resuming construction activities, it is too early to forecast the outlook of the prices of these raw materials.

**8. Will increasing adoption of precast concrete and PPVC methods of construction lead to reduced demand for building materials?**

The increasing adoption of precast concrete and PPVC methods of construction is not expected to have a significant impact on the demand for cement and RMC as they are used in the manufacturing of precast concrete components and certain PPVC methods of construction. In addition, ready-mix concrete and cement are also primarily used in construction of foundation and structures of most construction projects.

**9. Can you update on the operation and financial status of GOTRUCK & AiR?**

The Company will announce as and when there's a significant development.

**10. How much will the government's Jobs Support Scheme ("JSS") from the budgets help mitigate the impact of this crisis?**

The government's JSS has helped defray some of our manpower costs and is very much appreciated. However, it only mitigates partially the fixed costs of the Group.

**11. ( 1) Please give an update of our competitive position and the outlook for Vietnam business.**

**(2) Please give an update of our competitive position and outlook in Malaysia.**

The health crisis of COVID-19 has extended to become an economic and social crisis in many countries.

Vietnam's economy has suffered significantly over the course of the outbreak. Its GDP fell to 3.8% in 1Q 2020 compared to 6.8% in 1Q 2019. GDP of Malaysia grew only 0.7% in 1Q 2020 compared to 4.5% in the corresponding quarter.

Both countries expect the pandemic to have a significant adverse impact on its economies in 2020. While the current GDP forecast for Malaysia and Vietnam is positive for 2021 and buoyed by global manufacturers looking to diversify their supply chains to countries like Vietnam and Malaysia, the outlook remains unclear as it depends on how fast these countries recover from the COVID-19 pandemic, and other factors like the US-China trade war and when a vaccine becomes readily available.

**12. How has COVID-19 presented opportunities and threats to our Singapore business given that Terminal 5 construction will be shelved? Are there such similar changes?**

The construction of the main terminal building of Changi Airport T5 development, which is not scheduled for award in 2020, is expected to be deferred by 2 years. However, the infrastructure works for T5 that have been awarded are expected to resume once they are permitted to re-start. We are not aware of deferment of any other major projects in Singapore.

By order of the Board

Kevin Cho  
Company Secretary  
23 June 2020