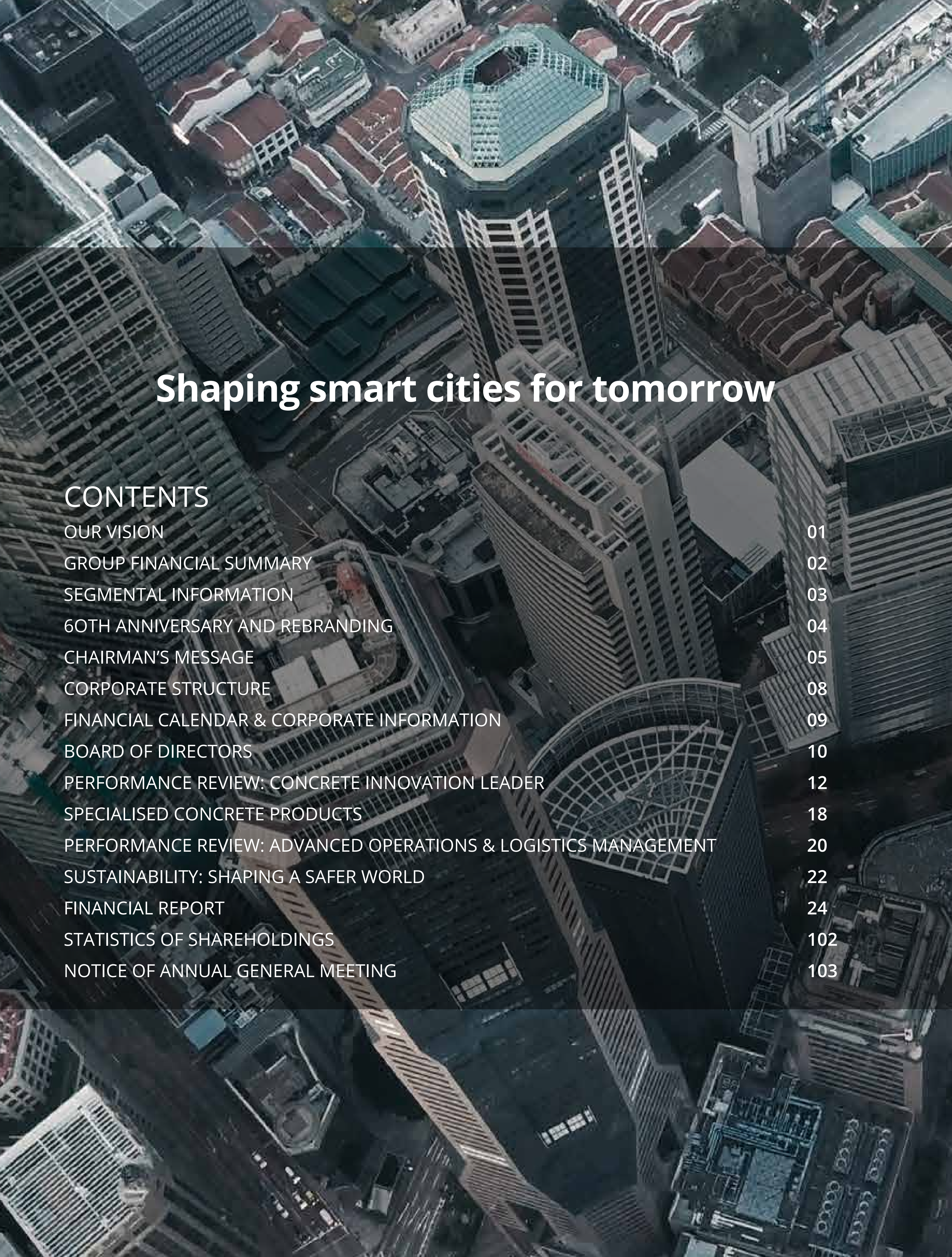
PanUnited

SHAPING SMART CITIES FOR TOMORROW

Annual Report 2018



Shaping smart cities for tomorrow

CONTENTS

OUR VISION:

TO BE A TECHNOLOGY COMPANY IN CONCRETE & LOGISTICS

Technology is the enabler of new possibilities for the Group:

- To innovate and break new ground for the industry
- To create new product and service offerings for our customers
- To be open-minded to challenge the status quo
- To use our experience and apply new thinking for even better solutions for the good of our customers, our people and the environment we live in

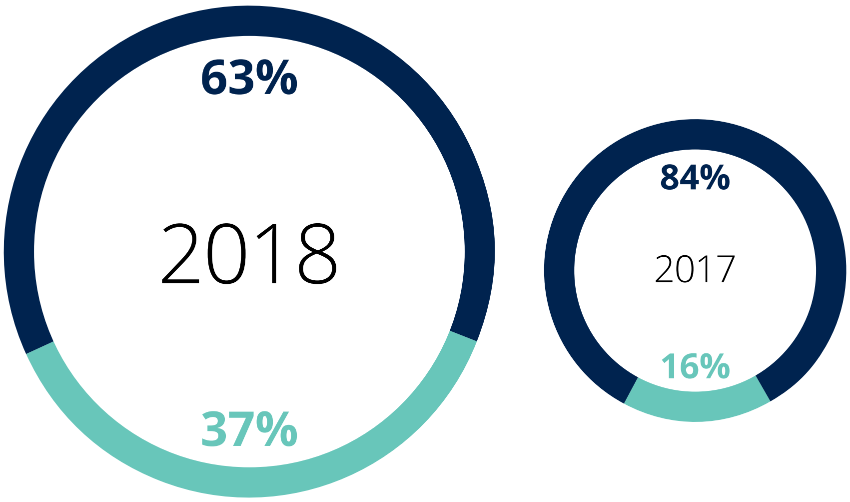
GROUP FINANCIAL SUMMARY

	2018 $'000	2017 $'000	+/(-) %
Financial Results			
Continuing operations			
Revenue	**863,530**	629,321	37
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**28,217**	22,158	27
Profit before taxation	**8,943**	7,719	16
Profit after taxation	**6,544**	6,560	-
Profit attributable to equity holders of the Company (PATMI)	**6,072**	5,788	5
Discontinued operations			
Profit after taxation	**1,007**	17,738	(94)
Profit attributable to equity holders of the Company (PATMI)	**878**	14,288	(94)
Total			
Profit after taxation	**7,551**	24,298	(69)
Profit attributable to equity holders of the Company (PATMI)	**6,950**	20,076	(65)
Financial Position			
Shareholders' funds	**191,540**	328,894	(42)
Non-controlling interests	**6,784**	39,015	(83)
Total equity	**198,324**	367,909	(46)
Total assets	**421,852**	780,637	(46)
Total liabilities	**223,528**	412,728	(46)
Per share data			
Basic earnings (in cents) (note 1)			
From continuing operations	**0.87**	0.83	5
Total attributable to equity holders of the Company	**0.99**	2.86	(65)
Diluted earnings (in cents) (note 2)			
From continuing operations	**0.87**	0.83	5
Total attributable to equity holders of the Company	**0.99**	2.86	(65)
Net asset value as at 31 December (in cents)	**27.30**	46.90	(42)
Return on shareholders' funds (note 3)	**2.5%**	6.7%	(63)
Return on property, plant and equipment (note 3)	**3.6%**	5.3%	(32)
Net gearing ratio	**0.40**	0.46	(13)

Notes
1. The calculation for basic earnings per share is based on 700,885,825 (2017: 700,885,825) weighted average number of shares in issue during the year.
2. The calculation for diluted earnings per share is based on 700,898,425 (2017: 701,146,756) weighted average number of shares plus dilutive potential shares from share options during the year.
3. In calculating return on shareholders' funds and return on property, plant and equipment, the average basis has been used. The ratios for FY2018 are calculated based on continuing operations.

SEGMENTAL INFORMATION

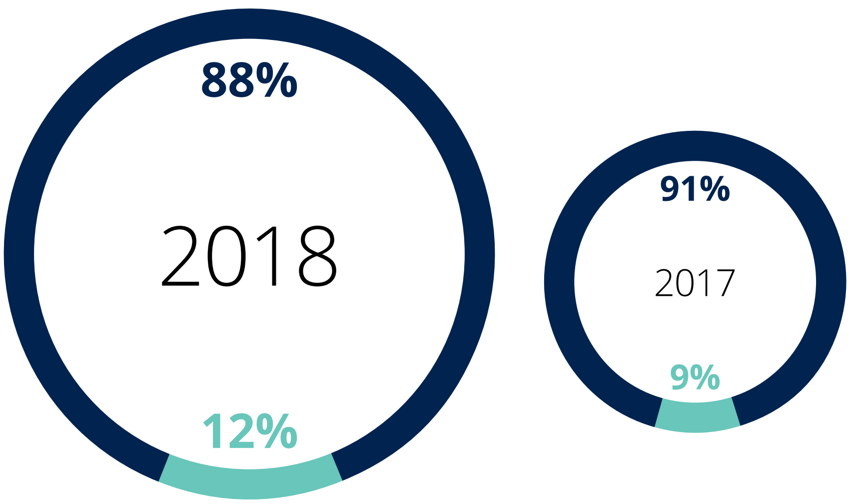
Revenue From Continuing Operations



Revenue ($'m)	2018	2017
Concrete & Cement	**545.71**	527.67
Trading & Shipping	**317.82**	101.65
Total - Continuing operations	**863.53**	629.32

Concrete & Cement Trading & Shipping

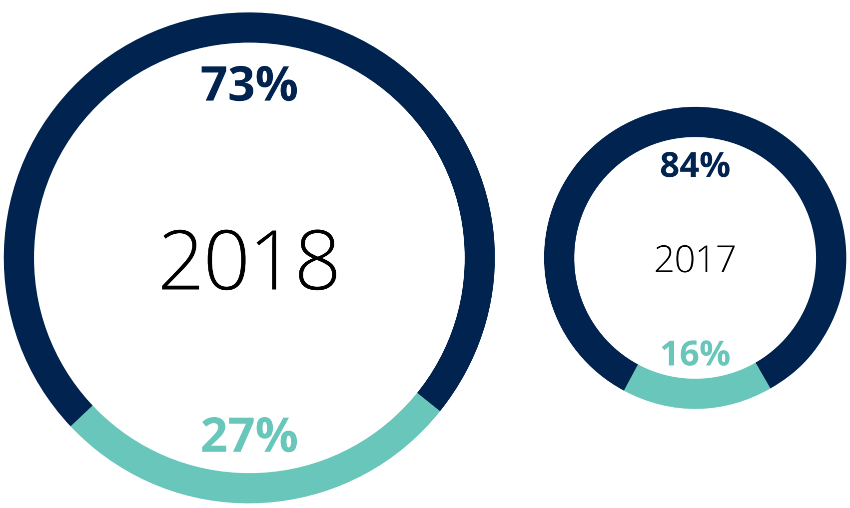
EBITDA
(excluding others)



EBITDA ($'m)	2018	2017
Concrete & Cement	**30.26**	24.80
Trading & Shipping	**3.95**	2.48
Others	**(5.99)**	(5.12)
Total - Continuing operations	**28.22**	22.16

Concrete & Cement Trading & Shipping

PATMI
(excluding others)



PATMI ($'m)	2018	2017
Concrete & Cement	**8.53**	8.74
Trading & Shipping	**3.18**	1.63
Others	**(5.64)**	(4.58)
Total - Continuing operations	**6.07**	5.79

Concrete & Cement Trading & Shipping

60TH ANNIVERSARY AND REBRANDING

A new phase of growth

In conjunction with the Group's 60th anniversary, PanU launched a new modernised corporate identity, signifying a new phase of growth as a technology company in concrete and logistics.

The new PanU logo features a pair of fluid, interlocking triangles denoting the importance of our trusted community of customers and partners, for whom we strive to deliver distinctive value.

The symbolic coupling of the red and blue triangles signifies the strong links to our heritage and roots, and the promising opportunities ahead of us. The red triangle represents dynamism as a concrete innovation company, while the blue triangle points to the solid foundation in PanU's culture of excellence.

With this new corporate identity, we will continue to raise the bar on operational excellence and quality. As the trailblazer in the concrete industry, we will imagine and develop new possibilities in the concrete space.

CHAIRMAN'S MESSAGE

Mr Ch'ng Jit Koon

Dear Shareholder

2018 marked a historic year for Pan-United Corporation (PanU or the Group). We celebrated the Group's 60th anniversary in business, as well as the decades of valued support from shareholders, customers, industry partners and the PanU family of employees. Our achievements today are a culmination of the efforts and dedication of the people within and outside of the Group.

FY2018 was a better year but it was not without headwinds. For the full year ended 31 December 2018, we delivered a set of resilient results, recording a total revenue of $863.5 million, a 37% increase from $629.3 million a year ago. We registered a profit after tax and minority interests (PATMI) of $6.1 million from continuing operations, compared to the PATMI of $5.8 million recorded in the previous year.

New era of excellence

The Group stood firm against a volatile global economic environment and ploughed ahead with a vision in mind. Upon the successful de-merger of Xinghua Port Holdings from the Group, we have become more resolute in achieving the vision of our singular core business, ie, to become a technology company in the concrete and logistics space.

I am pleased to share that we have since taken significant steps forward in advancing concrete technologies and digitalisation.

Our strong focus on product development and innovation since 2012 has led to the creation of a unique range of more than 300 specialised concrete products. One example is PanU Shield, a radiation-shielding concrete for walling proton therapy rooms in hospitals. Another is a type of flexible concrete called PanU CTB™ for paving airport runways and taxiways to enhance durability. Our wide PanU product base forms the raft foundation for broad growth opportunities.

In addition, we have deep logistics capability in delivering just-in-time massive loads - not only of raw materials, but also ready-mix concrete which has a very short setting time averaging two hours. These unique attributes have spawned ideas for new digital applications.

During the year, we soft-launched a truck-hailing application called GoTruck! in Singapore. This mobile app matches the supply and demand of heavy vehicles which transport bulk materials. It is designed to reduce costs by driving up usage efficiencies of such vehicles on the road.

We also rolled out a digital logistics platform known as AiR, or Artificial Intelligence for Ready-mix concrete, which has been extended for use in Ho Chi Minh City. AiR uses artificial intelligence, data analytics and automated processes to improve customer

CHAIRMAN'S MESSAGE

Jewel Changi Airport
The new Jewel Changi Airport mega mall is one of PanU's latest iconic projects. In the coming years, our trademarked PanU-CTB™ will be used to pave taxiways in the Changi Airport Package 2 project as part of the massive Changi East Development.

engagement and optimise productivity levels. As part of our resolve to lead in the technology space, we are also introducing AiR to other concrete and logistics companies in the region.

In November, PanU secured an agreement with Canada-based cleantech company CarbonCure Technologies Inc, to use their proprietary technology to produce stronger and greener concrete that will mitigate carbon emissions from the built environment. This move very much aligns with our longstanding sustainability efforts through the years. Our collaboration with CarbonCure will also enrich PanU's culture of innovation and excellence, as we learn and engage with a global technology leader. As the first in Asia to use this breakthrough technology, we are once again setting new industry standards.

Creating products that combine aesthetics and functionality is another way to bring PanU onto the global stage. In August, we participated in the Singapore Night Festival with a concrete art installation using PanU Illuma. This is a special translucent concrete that is structurally strong to complement green building features.

With our strong track record in creating specialised, sustainable concrete solutions, we are well equipped to meet the broad-ranging and dynamic demands of public and private sector construction.

To drive PanU's business focus in the years ahead, our newly appointed Chief Operating Officer, Mr Ken Loh, will oversee corporate development and business growth. Ken has over 35 years of industry experience, having led PanU's Concrete & Cement (C&C) Division to become Singapore's biggest producer of ready-mix concrete and the largest supplier of cement.

Outlook for 2019

In the next year, the Group expects a robust pipeline of public and private sector projects. According to the Building and Construction Authority, total construction demand is expected to remain steady in 2019, ranging between $27 billion and $32 billion, sustained by both public and private sector demand.

Major public infrastructure projects continue to be on track. Changi Airport Terminal 5, for instance, is slated to open in 2030, and is set to be one of the world's largest airport terminals. The Cross Island and Jurong Region MRT lines, along with the Jurong Lake District and Punggol Digital District developments, are also expected to add to the strong pipeline of upcoming projects.

Our regional operations are well positioned for steady growth. The healthy performance of Vietnam's overall economy and construction sector fares well for the Group in Ho Chi Minh City, where we have retained market leadership for the second year. Our new slag grinding plant in Malaysia commenced commercial production in 2018.

Sunwah Pearl
The high-end residential-office-commercial Sunwah Pearl project by Hongkong's Sunwah Group in Binh Thanh District is designed with 45- and 50-storey towers overlooking the Saigon River.

Proposed dividend

The Board has recommended a final ordinary dividend per share of 0.80 Singapore cents for FY2018. The proposed final dividend will be distributed on 29 May 2019, if approved by shareholders at the next Annual General Meeting.

With gratitude

On behalf of the Board, I would like to express our heartfelt gratitude to all shareholders, customers and business partners for your faith and confidence in us to make the right calls through the different milestones over the last 60 years. The tenacious spirit of our employees has also allowed the Group to overcome challenges and daringly embrace new opportunities.

To my fellow directors, I would like to thank you for your invaluable commitment and advice. I am also pleased to welcome Mr Soh Ee Beng to the Board as an independent director. His vast experience in several leading financial institutions will be of great help to the Board and the Audit Committee as we widen our business scope in the coming years.

Thank you for journeying with us through the seasons of change and growth.

We are excited about the future and remain fully committed to the vision we have set in mind. The PanU team will work to the best of our ability to serve you better in the coming years.

Yours sincerely,

Ch'ng Jit Koon
Chairman

"Pan-United, you might say, is a concrete example of how innovation can help a firm cement its position as a market leader."

Finance Minister Heng Swee Keat
FY2018 Budget Statement

Fostering Pervasive Innovation

In today's fast-changing business environment, we believe our intrinsic innovation culture will be crucial in ensuring PanU continues to be the preferred partner in concrete and cement. This focus on fostering pervasive innovation was also emphasised at the national level in the Singapore FY2018 Budget Statement. In his speech, Finance Minister Mr Heng Swee Keat commended PanU for our investments in product innovation and research and development, in order to meet the needs of customers. He cited PanU as an example of a homegrown firm that has leveraged its concrete technologies to expand into regional markets.

CORPORATE STRUCTURE

PAN-UNITED CORPORATION LTD

CONCRETE & CEMENT

Pan-United Industries Pte Ltd

- Pan-United Concrete Pte Ltd 100%
- Raffles Concrete Pte Ltd 100%
- Fortis Star Sdn Bhd 100%
- PT. Pan-United Concrete 100%
- Fico Pan-United Concrete Joint Stock Company 55%
- 100% United Cement Pte Ltd
- 49% Raffles Cement Pte Ltd
- 100% Meridian Maplestar Sdn Bhd
- 49% PT. Pacific Granitama

TRADING

- PanU Harmony Pte Ltd 100%
- 51% United Bulk Shipping Pte Ltd

TECHNOLOGY

- Pan-United Technologies Pte Ltd 100%
- AiR Digital Solutions Pte Ltd 100%
- 97% GoTruck Pte Ltd

FINANCIAL CALENDAR

31
DEC
2018
Financial Year End

26
FEB
2019
Announcement of FY2018 results

29
APR
2019
Annual General Meeting

MAY
2019
Announcement of 2019 Q1 results

29
MAY
2019
Payment of final dividend

AUG
2019
Announcement of 2019 H1/Q2 results

NOV
2019
Announcement of 2019 Q3 results

CORPORATE INFORMATION

Board of Directors

Chairman
Ch'ng Jit Koon

Deputy Chairman
Patrick Ng Bee Soon

Chief Executive Officer
Ng Bee Bee

Independent Directors
Cecil Vivian Richard Wong
Tay Siew Choon
Soh Ee Beng

Company Secretary
Cho Form Po

Registered Office
7 Temasek Boulevard
#16-01 Suntec Tower One
Singapore 038987

Share Registrar
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditor
Ernst & Young LLP
One Raffles Quay
Level 18 North Tower
Singapore 048583

Audit Partner
Low Yen Mei (since financial year 2015)

BOARD OF DIRECTORS

Ch'ng Jit Koon
Chairman & Independent Director

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

He was a Member of Parliament, Singapore from 1968 to 1996 and was Senior Minister of State, Ministry of Community Development when he retired in January 1997.

Mr Ch'ng serves in several community organisations and is a director of Progen Holdings Ltd and Santak Holdings Ltd. Mr Ch'ng was previously a director of Ho Bee Land Ltd.

Mr Ch'ng holds a Bachelor of Arts (Economics and Political Science) degree from Nanyang University, Singapore (now Nanyang Technological University).

Patrick Ng Bee Soon
Deputy Chairman

Mr Patrick Ng* has been the Deputy Chairman of Pan-United Corporation Ltd since March 2011.

He was CEO of the Group from January 2004 to February 2011. He also serves as a director of several subsidiaries in the Group.

Mr Ng is the Executive Chairman of Xinghua Port Holdings Ltd, a separately listed company on the Main Board of The Stock Exchange of Hong Kong.

Mr Ng has a Bachelor of Science degree from the University of Oregon, United States.

*Pursuant to the demerger of Xinghua Port Holdings Ltd from the Company, Mr Ng relinquished his executive position as Deputy Chairman of the Company on 5 February 2018. Mr Ng continues to serve on the Board of the Company in a non-executive capacity with the same title of Deputy Chairman.

Ng Bee Bee
Chief Executive Officer

Ms Ng Bee Bee has been the CEO of Pan-United Corporation Ltd since March 2011.

She was previously the Executive Director from January 2004 to February 2011. Ms Ng sits on the boards of several subsidiaries in the Group. She is also the Chairman of Mercatus Co-operative Ltd and a director of NTUC Enterprise Co-operative Ltd.

Ms Ng holds a Bachelor of Arts (Honours) degree from the University of Western Ontario, Canada.

Cecil Vivian Richard Wong
Independent Director

Mr Cecil Wong has been an Independent Director of Pan-United Corporation Ltd since October 1992.

He is also a director of Venture Corporation Ltd, Chartered Asset Management Pte Ltd and John K Young Pte Ltd.

Mr Wong holds a Bachelor of Arts degree from the University of Cambridge. He is a member of the Institute of Singapore Chartered Accountants.

Tay Siew Choon
Independent Director

Mr Tay Siew Choon has been an Independent Director of Pan-United Corporation Ltd since February 2005. He is also the Chairman of GoTruck Pte Ltd, a subsidiary of the Company, since 2018.

Mr Tay has held top echelon management positions in several listed companies and has extensive local and overseas experience. He was Managing Director and Chief Operating Officer of Singapore Technologies Pte Ltd until March 2004. Mr Tay is currently the Deputy Chairman of TauRx Pharmaceuticals Ltd and a director of TauRx Therapeutics Ltd, Straco Corporation Ltd and WisTa Laboratories Ltd.

Mr Tay holds a Bachelor of Engineering (Electrical) Honours degree as a Colombo Plan scholar from Auckland University, New Zealand and a Master of Science in Systems Engineering from the University of Singapore (now National University of Singapore).

Soh Ee Beng
Independent Director

Mr Soh Ee Beng has been an Independent Director of Pan-United Corporation Ltd since December 2018.

Mr Soh has over 20 years of experience in investment banking, including mergers and acquisitions, initial public offerings, equity placements and equity-linked transactions. He has advised on both public and private transactions across Asia. Mr Soh has worked at several leading financial institutions. He was the Managing Director and Head of Advisory for South East Asia at The Hongkong and Shanghai Banking Corporation Ltd. Prior to that, Mr Soh was the Managing Director and Head of Investment Banking of N M Rothschild & Sons (Singapore) Ltd, the CEO and Head of Investment Banking of BNP Paribas Peregrine (Singapore) Ltd, and the Director of Corporate Finance of ING Bank N.V..

Mr Soh is an independent non-executive Director of Xinghua Port Holdings Ltd.

He has a Bachelor of Accountancy degree with First Class Honours from Nanyang Technological University, Singapore.

PERFORMANCE REVIEW

CONCRETE INNOVATION LEADER

PanU's Innovation Centre for the research and development of specialised concrete products and its Command Centre for advanced digital logistics are industry leading, ensuring operational excellence in our product delivery.

Innovation Centre
Our team of materials scientists, engineers and researchers actively create sustainable solutions that are safe and environmentally-friendly for the communities and the world we live in.

Nexus International School
The new cutting-edge Nexus International School campus along Aljunied Road will be completed in early 2020 with a capacity of 1,200 students.

Credit: Nexus International School (Singapore)

SINGAPORE

Both the public and private sectors recorded strong growth in construction activities.

Steady pick-up in demand

In Singapore, construction demand experienced a steady pick-up in 2018, after a three-year decline. The Building and Construction Authority estimated that around $30.5 billion of contracts were awarded, representing a 23% increase in construction demand compared to 2017.

The public sector continued to lead in the year with contracts amounting to $18.4 billion, contributing to about 60% of the total demand. Both the public and private sectors recorded strong growth in construction activities. This was due to robust demand from institutional building and civil engineering projects, upward growth in the manufacturing sector and the steady pipeline of private residential redevelopment projects from en-bloc sales in 2017 and the first half of 2018.

Gradual recovery

Prices for ready-mix concrete have also recovered year-on-year, rising from $83.30 per cubic metre in December 2017 to $87.10 per cubic metre at the end of December 2018. The Trading & Shipping Division contributed positively from higher trading volumes. As a result, the Group registered higher earnings before interest, tax, depreciation and amortisation (EBITDA) of $28.2 million, a 27% increase from FY2017.

In anticipation of a turnaround, we continued to widen our product range. One major thrust is our focus on developing high-specification concrete products for our customers. In January, we developed the Fast Set Cement Treated Graded Stones (Fast Set CTGS) in collaboration with Changi Airport Group. When used on airport runways and taxiways, this special fast-setting concrete will help to reduce repair times and minimise the downtime of airport runways. Encouraged by the successful use of Fast Set CTGS, we developed PanU Rapid, an even faster setting concrete that is ideal for urgent repairs of airport runways, taxiways and aprons. Another special concrete product called PanU Microbial Induced Corrosion (MIC) was developed for use in greywater treatment plants and facilities.

One major thrust is our focus on developing high-specification concrete products for our customers.

Large-scale projects

Projects that continue to use PanU concrete in large-scale volumes include:

- Infrastructure projects such as National Cancer Centre and Mandai Depot
- Residential projects such as Grandeur Park Residence
- Institutional projects such as Eunoia Junior College and Nexus International School

Under our cement operations, we commissioned and upgraded our silo feeding capacity in October. We can now receive cement in our silos at a rate that is 50% higher than before, thereby increasing the capacities of our cement silos.

With the forecasted increase in construction demand for 2019, we continue to expect a steady pipeline of major infrastructure projects for PanU in Singapore.

Mandai Depot
The 32-hectare Mandai Depot is an integrated rail and bus depot slated for completion in 2019.

OneHub Saigon
OneHub Saigon in District 9 combines science, business and IT park spaces over 12 hectares. It is a joint development by Singapore's Ascendas-Singbridge and Saigon Bund Capital Partners.

More premium projects secured

PanU retained its position as the top brand for concrete In Ho Chi Minh City. With the economic boom in Vietnam, we successfully secured numerous prestigious projects. These include residential projects such as the Sunwah Pearl condominium, Saigon South Residences and Feliz EnVista. The new OneHub Saigon business park project was secured from Singapore's Ascendas-Singbridge.

In the years ahead, Vietnam's construction sector is expected to grow from US$57.5 billion in 2018 to US$84.0 billion in 2023, as more investments flow into building public infrastructure, tourism infrastructure and housing projects. This bodes well especially with increasing acceptance of our specialised concrete products to address complex building needs.

PanU retained its position as the top brand for concrete In Ho Chi Minh City.

Saigon South Residences (SSR)
The Saigon South Residences is a 1.3 hectare high-end condominium project developed by Phu My Hung Development Corporation, located at Nguyen Huu Tho Avenue in District 7.

Sungei Buloh-Serdang-Putra Jaya (SSP) Line
The Sungai Buloh-Serdang-Putrajaya line is a 52.2 km mass rapid transit line serving the Klang Valley area. The full line is expected for completion in 2022.

Expanding our portfolio

Meridian Maplestar's slag grinding plant in Johor commenced commercial production in early 2018, supplying high-grade ground granulated blast furnace slag (GGBFS) to our ready-mix concrete operations in Singapore and Malaysia. The plant has been conferred with the SIRIM accreditation, on top of its existing ISO 9001 and TÜV accreditations.

New projects for Fortis Star include the Uptown 8 office tower project and the Mass Rapid Transit Project comprising the Sungei Buloh-Serdang-Putra Jaya (SSP) Line. Both projects are in Kuala Lumpur. Projects in Johor include the MMHE Drydock 3 in Pasir Gudang, three factories in Tanjung Langsat and a couple of residential projects. Among existing projects, the 39.5km long East Klang Valley Expressway, when completed later in 2019, will connect two major towns in Selangor.

The spectrum of projects have bolstered PanU's industry position in the country. We aim to create new opportunities for growth as we stay the course and deliver unparalleled levels of service for ready-mix concrete in Malaysia.

The spectrum of projects have bolstered PanU's industry position in Malaysia.

Uptown 8 Office Tower
Uptown 8 in Damansara Utama, Petaling Jaya, includes a 31-storey corporate office tower expected for completion in 2019.

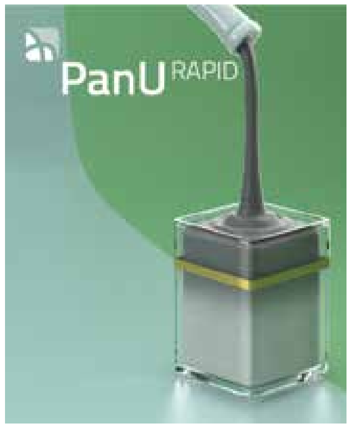
SPECIALISED CONCRETE PRODUCTS

Innovation is in our DNA.

Extensive investments in research and development have paid off in creating a broad range of over 300 highly specialised concrete solutions, often in collaboration with our customers, institutions and consultants.

PanU CTB™

PanU CTB™ is a flexible, stabilised underlayer of special concrete that cushions the impact of heavy loads, such as aircraft landings. It requires minimal maintenance and reduces wear and tear on runways, taxiways, roads and other types of pavements.



PanU RAPID

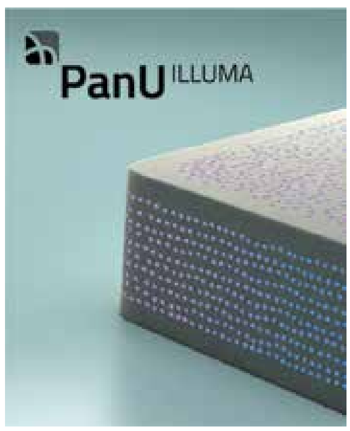
PanU Rapid is a multi-purpose concrete that sets within an hour instead of 10 hours. It provides high strength and durability immediately, minimising any occurrence of cracking. It can be used for quick repair and recovery of roads and airport taxiways and aprons.

PanU LITE™

PanU Lite™ is exceptionally light in weight. It is suitable for large roof or slab structures to minimise on supporting columns, and for building upon existing structures without overloading. It provides excellent thermal insulation to reduce energy consumption.

PanU COLOUR

PanU Colour offers varied colour options for aesthetic, decorative and safety-related applications such as road lane markers, car parks, factory or park path indications, playgrounds and recreational areas. It lasts long and needs low maintenance.



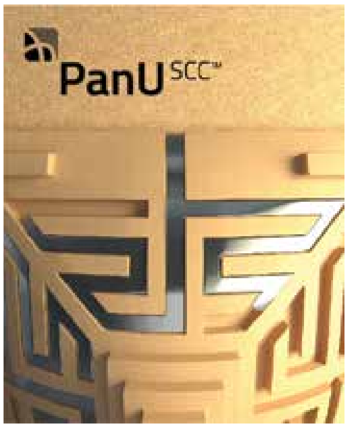
PanU ILLUMA

PanU Illuma is a translucent form of illuminating concrete that allows light to pass through. It is structurally strong and has varied eco-friendly, safety, architectural, aesthetic and décor applications.

PanU GREEN

PanU Green is an award-winning highly durable, structural concrete using recycled materials and eco-friendlier cement that reduces carbon emissions. It is versatile for use as foundations, slabs, columns, walls and for underground or marine structures.

Scan here for an animated online version of our products.

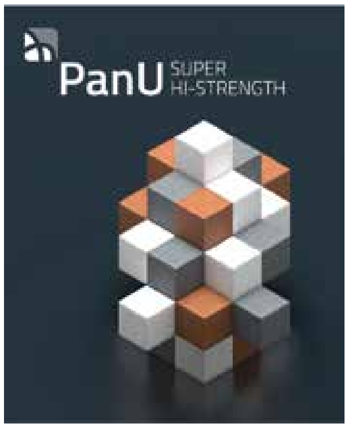


PanU SCC

PanU SCC (Self-Compacting Concrete) is highly fluid. It reaches and fills inaccessible areas completely and uniformly without the use of noise-pollutive mechanical compactors. It saves on manpower and is ideal for high-rise developments in congested locations.

PanU Hi-STRENGTH

PanU Hi-Strength uses less concrete to efficiently support heavy loads. Space is maximised with slimmer beams and columns, and construction time is reduced. It is a cost-effective solution for skyscrapers and complex structures.

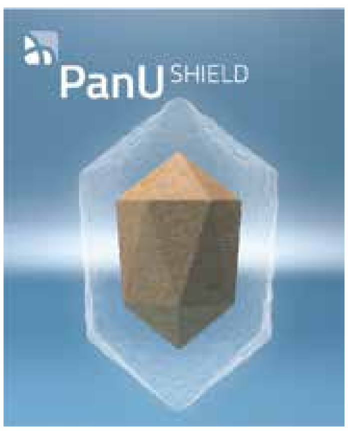


PanU SUPER Hi-STRENGTH

PanU Super Hi-Strength has compressive strength of over 100MPa to support even heavier loads than Hi-Strength concrete. Applications include skyscrapers and load bearing columns, walls and beams for hospitals.

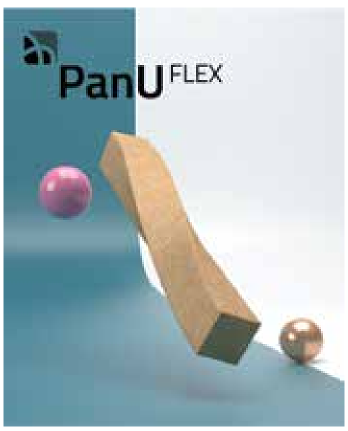
PanU COOL

PanU Cool is a temperature-controlled concrete to minimise thermal cracking and improve structural durability. It is ideal for mass-volume casting of underground MRT tunnels and stations as well as raft foundations for skyscrapers.



PanU SHIELD

PanU Shield is a high-density concrete with special raw materials that effectively protect against radiation hazards. It allows for thinner walls that occupy less space in hospital X-ray and proton therapy rooms and can also be used to build nuclear plants.



PanU FLEX

PanU Flex concrete can withstand extreme forces of bending and stretching. It prevents cracking under great stress of expansion and contraction, making it ideal for road traffic junctions, bridges and earthquake-proof structures.

PanU MIC

PanU MIC (Microbial-Influenced Corrosion) concrete is anti-bacterial with excellent resistance to physical and chemical corrosion caused by waste water and acid. It is ideal for deep tunnel sewerage systems, and biomass and wastewater treatment plants.

PanU WATERCRETE

PanU Watercrete can flow and cast underwater. It hardens naturally without the need to first pump out water to create the air space, saving costs in time and resources. PanU Watercrete is suitable for building waterfront buildings and undersea structures.

PERFORMANCE REVIEW

ADVANCED OPERATIONS & LOGISTICS MANAGEMENT

PanU has evolved beyond brick and mortar in the building materials business to become a highly digitalised organisation focused on concrete innovation. Since our Command Centre opened in 2014, we have painstakingly developed internally step-by-step an advanced technology platform with deep capabilities to optimise the ready-mix concrete and logistics industries.

Digital Transformation

Our culture of innovation goes beyond the materials research lab. It is also inherent in the entire chain of our ready-mix concrete business. Building on our track record of driving industry disruption, we embarked on a series of digital innovations and rolled out several industry-leading technology offerings in 2018.

Mobile booking app
In January, we launched PanU Mobile Booking, a concrete booking app for customers to make orders and track concrete deliveries with their mobile devices. This improves efficiency and provides project managers the convenience of ordering concrete anytime, anywhere.

e-Delivery Order (eDO)
In November, we launched the first of its kind e-Delivery Order (eDO) system in Singapore's concrete industry. Before the inception of the eDO, the delivery dockets had to be manually despatched to the customer's project site and to multiple relevant parties. Customers can now receive timely accurate reports that enable ease of tracking shipment histories and quick retrieval of information. These include details of delivery orders and arrival times.

GoTruck! logistics mobile app
The on-time delivery of our products makes the precise scheduling of trucks vital to our daily operations. Using our in-house logistics expertise as an opportunity to innovate, we created GoTruck!, a truck-hailing mobile application that matches the demand and supply of heavy vehicles. We continue to plough the ground in the initial phase.

AiR (Artificial Intelligence for Ready-mix concrete)
Building on the technologies developed internally since 2014, our customised digital platform has the ability to manage the entire spectrum of the ready-mix concrete business - from operations, supply chain and logistics management, to customer engagement.

We have named this platform AiR, or Artificial Intelligence for Ready-mix concrete. AiR employs IoT, data analytics, machine learning, AI and cloud technologies to optimise manpower productivity and service efficiency. We have extended the AiR platform to Ho Chi Minh City and plan to make it available to the ready-mix concrete industry in other regional markets. AiR is part of our drive to leverage on our core capabilities to generate new revenue streams.

The illuminating Arc Bench
PanU Illuma is a translucent concrete that allows natural or artificial light to pass through, as seen by this pair of curved benches.

Art installation at the Singapore Night Festival

For the second year in a row, PanU lent support to the local arts scene by sponsoring the 'PanU Illuminating Arc Bench', a concrete art installation showcased at the Singapore Night Festival in August. Drawing approximately 500,000 visitors each year, the annual arts event is organised by the National Heritage Board in celebration of the arts and Singapore's rich cultural heritage.

The Singapore Night Festival marked the public debut of PanU Illuma, inspiring Singaporeans and tourists to reimagine the way they live, work and play sustainably. The translucent concrete can be used in a range of commercial applications. These include safety zones, partition walls and even lighting accessories.

SUSTAINABILITY

SHAPING A SAFER WORLD

Emergency response

In April, we conducted a company-wide emergency response drill to educate our employees on best practices in the event of a crisis or emergency. Led by PanU's Emergency Strategic & Support (ESSG) Group, we went through several crisis simulations that involved careful coordination across all departments, from on-site operations to human resources.

We successfully 'resolved' issues on the go, supported by crisis experts and officers from the Singapore Civil Defence Force (SCDF) to guide the team through worst-case scenarios.

The drill has heightened our overall readiness towards catastrophic events. We will continue to work towards high standards of operational efficiencies to alleviate the risk of impacts on PanU's business continuity.

Environmental sustainability and responsibility

PanU constantly seeks to innovate and develop sustainable concrete products to shape smart, sustainable cities for tomorrow. As Singapore's biggest provider of green concrete and the first company to achieve the "Leader" certification from the Singapore Green Building Council (SGBC), we have developed a suite of over 150 specialised green-certified products to meet the evolving environmental, design and product quality needs of customers.

In August, PanU participated in the SGBC's Sustainable Solutions Showcase, where we exhibited PanU Illuma, a translucent concrete developed in-house. It allows light to pass through, providing energy-saving benefits without compromising on structural strength.

A specially commissioned PanU Illuma medallion was presented to the exhibition's special guest Mr Masagos Zulkifli, Minister for the Environment and Water Resources (middle).

In November, PanU partnered with Canadian cleantech company CarbonCure Technologies to adopt a breakthrough technology that uses carbon dioxide to produce greener and stronger concrete.

The CarbonCure technology allows PanU to efficiently improve the compressive strength of our concrete products. We are the first in Asia to use it at some of our plants, which we estimate can reduce over 4,000 tonnes of carbon emissions annually. We intend to kick-start an industry-wide movement to mitigate concrete's carbon footprint, by introducing this technology later to other ready-mix concrete producers in Singapore and the region.

The CarbonCure-PanU collaboration was signed by Mr Christian Weisenburger from CarbonCure and Mr Ken Loh from PanU. It was witnessed by Mr James Gordon Carr, Canada's Minister of International Trade Diversification, and Mr Png Cheong Boon, CEO of Enterprise Singapore.

Sustainable practices are incorporated into the links of our entire value chain, from design and production, to last-mile deliveries. In January this year, PanU launched an electronic delivery order (eDO) system for Singapore's ready-mix concrete industry. Our eDO system reduces the environmental impact of our operations, and can save over 13 tonnes of paper annually. Customers also benefit from a hassle-free delivery experience. Back in 2016, PanU pioneered this paperless initiative for cement deliveries which proved useful in achieving greater operational efficiencies, increasing cost savings and reducing manpower.

Sustainability Report 2017

In December, PanU published our first Sustainability Report in accordance with the Global Reporting Initiative Standards: Core Option, and in compliance with the Singapore Exchange guidelines. In this report, we shared our achievements in FY2017 and future ambitions in the environmental, social and governance (ESG) areas of the business. The report also covers various aspects of PanU's Singapore-based operations, including our use of sustainable materials; diversity in our local workforce; and governance structures that ensure better accountability and oversight.

Through the materiality assessment, we identified key topics that our stakeholders are most concerned with, as well as factors on which PanU's business would have the largest impact. With this, we are able to set targets for the business to create long-term growth, while advancing our sustainability agenda.

FINANCIAL REPORT

REPORT ON CORPORATE GOVERNANCE

The Company, which is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the SGX-ST) on 22 December 1993, has set in place self-regulatory corporate governance practices and has enhanced its internal policies and practices, where appropriate, in accordance with the revised Code of Corporate Governance (Code) issued on 2 May 2012 by the Monetary Authority of Singapore.

This report describes the Company's corporate governance practices that were in place for the financial year ended 31 December 2018 (FY2018) with specific reference to the Code. Explanations have been provided where there are deviations from the Code.

Board of Directors

At the date of this report, the Board comprises six directors including four independent directors, namely:

i	Ch'ng Jit Koon	–	Chairman, Independent Director
ii	Patrick Ng Bee Soon*	–	Deputy Chairman
iii	Ng Bee Bee	–	Chief Executive Officer
iv	Cecil Vivian Richard Wong	–	Independent Director
v	Tay Siew Choon	–	Independent Director
vi	Soh Ee Beng	–	Independent Director (Appointed on 17 December 2018)

* As per the Company's announcement released to SGX-ST on 5 February 2018, Mr Patrick Ng Bee Soon continues to serve on the Board of the Company in non-executive capacity with the same title of Deputy Chairman. This change is made in conjunction with the de-merger of the ports business.

The profile of each director is set out on page 10 and 11 of the Annual Report.

At the coming Annual General Meeting (AGM), the following directors have been recommended by the Nominating Committee (NC) for re-election:

Directors retiring pursuant to Regulation 88 of the Constitution of the Company (Constitution):
- Soh Ee Beng

Directors retiring pursuant to Regulation 89 of the Constitution:
- Ng Bee Bee
- Tay Siew Choon

Additional information relating to the Retiring Directors as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found on page 36 to page 41.

The Board's Conduct of Affairs

Principle 1: The Company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board delegates the day-to-day operations to Management. However, significant matters exceeding the internal financial limits set by the Board require the Board's approval.

The Board's role is to:

– provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
– establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interest and the Company's assets;
– review the performance of Management;
– set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met;
– identify the key stakeholders groups and recognise that their perceptions affect the Company's reputation; and
– consider sustainability issues such as environmental, social and governance factors as part of the Board's strategic formulation.

Each member of the Board has fiduciary duty to discharge his or her duties and responsibilities in the best interests of the Company at all times.

Report on Corporate Governance (continued)

The Board's Conduct of Affairs (continued)

The principal functions of the Board include the following:

- deciding on strategic directions, key initiatives, policy matters and major transactions;
- approving annual capital and operating budgets;
- monitoring Management's performance and reviewing the financial performance of the Group;
- ensuring the adequacy of internal controls;
- implementing effective risk management systems;
- deciding on the appointment and removal of the company secretary;
- ensuring compliance with the Singapore Companies Act, Chapter 50, accounting standards, SGX listing rules and all other relevant statutes and regulations; and
- adopting relevant leading business practices.

Delegation of Authority on certain Board Matters

To facilitate effective management, certain functions have been delegated to four Board Committees, namely, the Audit Committee, Executive Committee, Nominating Committee and Remuneration Committee, each of which is governed by clear terms of reference which has been approved by the Board. Minutes of all Board Committees meetings are provided to the directors for their information and update on the proceedings and matters discussed during such meetings.

The Company and the Group have in place financial and approval limits for procurement of goods and services, capital expenditure, investments, divestments, bank borrowings and cheque signatories' arrangements. Also, to facilitate operational efficiency, sub-limit approvals are adopted for the Executive Committee and the different levels of Management.

The Executive Committee comprises:

i Ch'ng Jit Koon – Chairman
ii Patrick Ng Bee Soon
iii Ng Bee Bee

Meetings of the Board and Board Committees, and General meetings

The Board meets at least four times annually and additional meetings may be held as and when necessary to address any significant matters that may arise. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Constitution.

The record of the directors' attendance at the scheduled meetings held during FY2018 is set out as follows:

Name of director	Board	Audit Committee	Nominating Committee	Remuneration Committee	Annual General Meeting
Total number of meetings	**5**	**4**	**1**	**2**	**1**
Ch'ng Jit Koon	5	4	1	–	1
Patrick Ng Bee Soon	5	–	1	1	–
Ng Bee Bee	5	–	–	–	1
Cecil Vivian Richard Wong	5	4	–	2	1
Tay Siew Choon	5	4	1	2	1
Soh Ee Beng (Appointed on 17 December 2018)	–	–	–	–	–
Phua Bah Lee (Retired on 26 April 2018)	1	–	–	–	–
Jane Kimberly Ng Bee Kiok*	–	–	–	–	–
Lee Cheong Seng*	–	–	–	–	–

*Pursuant to the de-merger of the ports business, Ms Jane Kimberly Ng Bee Kiok and Mr Lee Cheong Seng resigned as Directors of the Company on 5 February 2018.

The Company has in place an orientation programme to familiarise new directors with the Company's structure and organisation, businesses and governance policies. Site visits to the Group's core business units and interaction with the senior Management also form part of the orientation programme. All new directors will undergo training and briefing on the roles and responsibilities as directors of a listed company for an understanding of their legal and fiduciary obligations as an individual and of the Board as a whole.

The Company has adopted a policy to instill and encourage continuous education and training for the Board to keep pace with the regulatory changes and latest developments relevant to the Group. Majority of the directors are members of the Singapore Institute of Directors (SID). An annual budget has been allocated for the training needs of the Board. Under the purview of the Nominating Committee (NC), the directors are encouraged to attend conferences and seminars, organised by SID and other professional organisations, relating to finance, legal, business strategy, risk management and corporate governance issues.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

In light that each of the independent directors has served beyond nine years from the date of his first appointment, the Board, with the concurrence of the NC, performed a rigorous review of their independence, with each abstaining from the deliberation of his own independence. The dates of the first appointment for these directors are set out on page 28 of the Annual Report.

Based on the self-declaration provided by each director of any relationships as set out in the SGX Listing Manual and the Code, the individual, peer and board evaluations performed and informal reviews conducted, the Board has determined that the four non-executive directors, namely Messrs Ch'ng Jit Koon, Cecil Vivian Richard Wong, Tay Siew Choon and Soh Ee Beng, have each exercised independent judgement in the interests of the Company and discharged his duties as an independent director effectively. The Board also acknowledges and recognises the benefits of the experience and stability brought by the long-serving independent directors.

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, notwithstanding their tenure on the Board.

The Board, with the concurrence of the NC, having reviewed and considered the size of the Board and the Board Committees, is of the view that the current size 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 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 non-executive directors also set aside time to meet with and without the presence of Management and provide feedback to the Board as appropriate.

Chairman and Chief Executive Officer (CEO)

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

The roles of the Chairman and CEO are separate and consist of two directors who have no familial relationship with each other. The Chairman is an independent director who bears responsibility for the workings of the Board and assists in enhancing the Company's corporate governance practices. The CEO is the executive director responsible for the day-to-day operations of the Group.

The Chairman's role includes the following:

- leading the Board to ensure its effectiveness on all aspects of its roles;
- setting the agenda and ensure adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board;
- ensuring that the directors receives accurate, adequate, timely and clear information;
- ensuring effective communication with shareholders;
- encouraging constructive relations within the Board and between the Board and Management;
- facilitating the effective contribution of non-executive directors at board meetings; and
- promoting high standards of corporate governance.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee comprises three members, the majority of whom, including the NC Chairman, are non-executive independent directors, namely:

i Ch'ng Jit Koon – Chairman
ii Patrick Ng Bee Soon (Appointed on 5 February 2018)
iii Tay Siew Choon (Appointed on 26 April 2018)

Report on Corporate Governance (continued)

Board Membership (continued)

The main functions of the NC as governed by its written terms of reference, which are approved by the Board, are as follows:

– to review succession plans for directors including CEO and make recommendation to the Board on new appointments;
– to nominate directors, having regard to their contribution and performance, for re-nomination and re-election;
– to determine whether or not a director is independent;
– to conduct a rigorous review to determine the independence of any director who has served the Board beyond nine years since his date of appointment;
– to decide whether or not a director is able to and has been adequately carrying out his duties as director of the Company;
– to assess, through a process implemented by the Board, the effectiveness of the Board as a whole and each of the Board Committees and the contribution by each individual director to the effectiveness of the Board; and
– to review training and professional development programs for the directors.

Having considered the recommendations of the Code and the NC, the Board limits the maximum number of outside directorships of listed companies and principal commitments to five, i.e. the non-executive directors of the Company should not hold more than five directorships in other listed companies including principal commitments.

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 may engage, if necessary, external search consultants or other advisers to assist with the identifying and short-listing of potential candidates. A formalised letter of appointment, detailing the duties and expectations of a director, will be issued to new directors. During the year, Mr Soh Ee Beng was appointed to the Board on 17 December 2018. Alternative directorships in the Company are not encouraged by the NC. The Company has no alternate directors on its Board.

In accordance with Regulation 88 of the Constitution, all newly-appointed directors will only hold office until the next AGM and Regulation 89 of the Constitution provides that every director shall, subject to the Companies Act, retire from office at least once every three (3) years.

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	85	Chairman, Independent Director	01/04/1997	26/04/2017
Patrick Ng Bee Soon	56	Deputy Chairman	25/05/1993	26/04/2017
Ng Bee Bee	51	Chief Executive Officer	31/01/2004	26/04/2016
Cecil Vivian Richard Wong	96	Independent Director	01/10/1992	26/04/2018
Tay Siew Choon	71	Independent Director	01/02/2005	26/04/2016
Soh Ee Beng	50	Independent Director	17/12/2018	–

Notes
1) Information on directors' shareholdings in the Company and its related companies is set out on page 42 of the Annual Report.
2) Information on directorships or chairmanships in other listed companies and other major appointments is set out on page 10 and 11 of the Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Board has adopted an internal process for evaluating the effectiveness of the Board as a whole and each of the Board Committees and individual directors annually. Each director is required to complete a board evaluation form to be returned to the NC Chairman. The evaluation results are subsequently consolidated and presented to the Board together with the NC's recommendations at the Board meeting held prior to the AGM.

In evaluating the Board's performance, the NC may take into consideration qualitative and quantitative performance criteria. The evaluation parameters may include performance against set goals and contribution to the Group's long-term objectives and revenue growth. Each director's individual performance is also undertaken on an annual basis through peer evaluation and self-assessment.

The Board has decided that the results of the evaluation exercise should not be publicised as the key objective is to obtain constructive feedback from each director to continually improve the Board's performance.

Based on the results of the evaluation exercise of the Board as a whole and each of the Board Committees as well as the performance of each director for FY2018, the NC is satisfied that all the directors have adequately carried out their duties, notwithstanding their multiple board representations and principal commitments.

Access to Information

Principle 6: Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The directors are provided with quarterly reports on the Group's financial position as well as timely and complete information to enable them to discharge their responsibilities. The directors are at liberty to request for further explanations, briefings or additional materials on any operational or business issues. The board papers and related materials are usually sent to directors fourteen days before a Board meeting.

The directors have separate and independent access to senior Management and company secretary at all times. The company secretary attends and maintains minutes of all meetings of the Board and Board Committees. The appointment and the removal of the company secretary are subject to the Board's approval.

The directors, in carrying out their responsibilities, may either individually or as a group, appoint professional advisers of their choice to render advice at the expense of the Company.

Remuneration Matters

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

Disclosure on Remuneration

Principle 9: The Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Remuneration Committee (RC) comprises three members, the majority of whom, including the RC Chairman, are non-executive independent directors, namely:

i Tay Siew Choon – Chairman
ii Cecil Vivian Richard Wong
iii Patrick Ng Bee Soon (Appointed on 26 April 2018)

The main functions of RC as governed by its written terms of reference, which are approved by the Board, are as follows:

- to recommend to the Board, for their endorsement, a general framework of remuneration for the Board and key management personnel;
- to review and recommend to the Board, for their endorsement, the directors' fees for the non-executive directors of the Company to be tabled for shareholders' approval at each Annual General Meeting, the annual remuneration package for each executive director of the Company and key management personnel, which includes a variable bonus component which is performance-related;
- to decide on the early termination compensation of executive directors and key management personnel;
- to consider whether directors, key management personnel and other executives should be eligible for benefits under long-term incentive schemes; and
- to administer the Pan-United Share Option Scheme and to review the design of all share incentive plans for approval by the Board and shareholders.

The RC has access to expert advice in the field of executive compensation outside the Company, as and when required.

Non-executive directors are paid directors' fees while executive directors are not paid directors' fees. The 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.

Report on Corporate Governance (continued)

Remuneration Matters (continued)

The following table shows the breakdown of the level and mix of directors' remuneration for FY2018:

Remuneration bands & name of director	Base salary/ Directors' fees	Performance-related bonus	Share options granted
Below $250,000			
Ch'ng Jit Koon	100%	–	150,000
Patrick Ng Bee Soon	100%	–	–
Ng Bee Bee	100%	–	–
Cecil Vivian Richard Wong	100%	–	150,000
Tay Siew Choon	100%	–	150,000
Soh Ee Beng (Appointed on 17 December 2018)	–	–	–
Phua Bah Lee (Retired on 26 April 2018)	100%	–	–
Jane Kimberly Ng Bee Kiok*	100%	–	–
Lee Cheong Seng*	100%	–	–

*Pursuant to the de-merger of the ports business, Ms Jane Kimberly Ng Bee Kiok and Mr Lee Cheong Seng resigned as Directors of the Company on 5 February 2018.

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 and remuneration of the top five key management personnel as recommended by the Code would be disadvantageous to the Group's interests.

No employee of the Group who is an immediate family member of the CEO or a director was paid remuneration that exceeded $50,000 for FY2018.

The RC also review the Company's obligations arising in the event of termination of any executive directors' and key management personnel's contract of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. There is no contractual provision in the service contracts of executive directors and key management personnel to allow the Company to reclaim incentive components from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss of the Company.

Details of the Pan-United Share Option Scheme

The extension of the Pan-United Share Option Scheme (Scheme 2002) for another 10 years up to 18 April 2022 was approved by shareholders of the Company at the Extraordinary General Meeting held on 19 April 2012. Scheme 2002 is administered by the RC.

Scheme 2002 allows participation by non-executive directors of the Company, its subsidiaries and associated companies. The Company does not expect that the grant of options to non-executive directors will compromise their independence as the number of options granted will not be significant. No options are granted to controlling shareholders and their associates.

Details of the share options granted pursuant to the Scheme 2002 are set out in the Directors' Statement on page 43 and 44 of the Annual Report. In accordance with Rule 704(29) of the Listing Rules, the necessary SGXNET announcement of the FY2018 share options granted was made on 16 November 2018.

Accountability and Audit

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

Management provides the Board with management accounts and other relevant information on a timely basis to enable the Board to make a balanced and understandable assessment of the Company's performance, position and prospects.

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)). The Board complies with the relevant rules of the Listing Manual with the prompt announcements of its quarterly and full-year unaudited financial results and other price-sensitive information via SGXNET.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group adopts the following approach to risk management and internal controls:

Risk Management and Internal Controls

The Audit Committee (AC) assists the Board in overseeing the Group's overall enterprise risk management framework and policies and ensuring that Management maintains a sound system of risk management and internal controls to determine the nature and extent of significant risks and appropriate mitigation measures to address such risks, as well as to safeguard the Group's assets and shareholders' interests.

The Group has adopted an Enterprise Risk Management (ERM) Policy Manual which provides a framework for identification and management of significant risks to enhance its risk management capabilities. Key business risks are proactively identified, assessed, managed, reviewed and reported to AC on a regular basis.

Notwithstanding the delegation of authority to the AC, the Board continues to retain oversight over the ERM framework, and continues to work with the AC on the determination of the levels of risk tolerance and risk policies for the Group, and the oversight of Management in the design, implementation and monitoring of the adequacy and effectiveness of risk management and internal control systems.

In assessing the adequacy and effectiveness of the Group's internal control and risk management systems, the AC, under the general direction of the Board, oversees Management in putting in place appropriate policies and measures to prevent or detect fraud or errors in financial and accounting records, ensure the accuracy and completeness of financial and accounting records, ensure financial information is prepared and presented in compliance with applicable laws, regulations and internal policies, and ensure that material assets are properly safeguarded.

The Group's internal and external auditors conduct periodic and annual reviews on the adequacy and effectiveness of the Group's internal controls, including but not limited to financial, operational, compliance and information technology controls, and risk management systems. Any material non-compliance or significant weaknesses in internal controls identified are promptly brought to the attention of the AC and to senior Management for remedial actions. The AC subsequently reviews the effectiveness of the actions taken and provides updates to the Board accordingly.

The AC and the Board have received a written assurance from the CEO and the Financial Controller, that for FY2018, the relevant financial records of the Group have been properly maintained and the financial statements of the Group, prepared in accordance with SFRS(I), presented a true and fair view of the state of affairs of the Group's operations and finances and the Group's risk management and internal control systems, including but not limited to financial, operational, compliance and information technology controls, in place were adequate and effective and also provided a reasonable assurance that assets were safeguarded against unauthorised loss or disposition.

Based on the systems of risk management and internal controls established and maintained by the Group, works performed and reports by the internal and external auditors and the above written assurance, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems, including the financial, operational, compliance and information technology risks, are effective and also adequate.

The Board takes the view that the systems of risk management and internal controls provide reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board is aware that the risk landscape applicable to the Group and its businesses is constantly evolving, for which the risk management and internal control systems may need to be adjusted accordingly from time to time, and that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, fraud and other irregularities.

Key Risks facing the Group

The Group is vulnerable to a number of risks applicable to the industries and the areas in which it operates. The Group's approach to financial risk management is listed on page 94 to 98 of the Annual Report. The following are some of the other key risks which could materially and adversely affect the Group's businesses, financial conditions or results of operation.

Business risk

Concrete & Cement

The Concrete and Cement (C&C) division is exposed to changes in demand and selling prices of basic building materials, mainly for the construction industry. On the supply side, it is exposed to any disruption to raw material supplies and increases in raw material prices. The C&C division responds to the risks by managing its operational costs and having diversified sources of raw materials.

Trading and Shipping

The Trading and Shipping division is exposed to changes in demand for cargoes, such as coal and gypsum, in China and the Southeast Asia region.

It is also subject to the risk of cargo quality. To help manage these risks, the division will continue to maintain good working relationships with cargo suppliers and customers and adopt a lean cost structure through cost and credit management measures.

Report on Corporate Governance (continued)

Risk Management and Internal Controls (continued)

Operational risk

Operational risk refers to potential loss resulting from a breakdown of internal processes, deficiencies in people and management or operational failure arising from external events. The operational risk management process instituted in the Group is to minimise unexpected losses and manage expected losses. This process is supported by a team of experienced management staff and key personnel and it is critical in enhancing the Group's operational risk management process.

Investment risk

The Group expands its business through organic growth of its core businesses and acquisitions of business entities. Investment activities are evaluated through the performance of due diligence exercises. All new business proposals are reviewed by the Group's senior Management and executive directors before obtaining the Board's approval.

Information technology risk

The Group has implemented information technology (IT) management controls and leading practice security controls, so as to ensure an appropriate level of security awareness at all times by users of the Group's IT systems.

The Group has put in place appropriate policies and controls to manage the risk of data privacy breaches.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises four members who are all non-executive independent directors, namely:

i Cecil Vivian Richard Wong – Chairman
ii Ch'ng Jit Koon
iii Tay Siew Choon
iv Soh Ee Beng (Appointed on 17 December 2018)

The Board is of the view that the AC members, having accounting and related financial management expertise and experience, are appropriately qualified to discharge their responsibilities. None of the members of the AC is a former partner of the Company's external auditor, Ernst & Young LLP, or has any financial interest in the audit firm.

The AC meets at least four times a year and plays a key role in assisting the Board to ensure that the financial reporting and internal accounting controls of the Group meet the highest standards. It oversees the quality and integrity of the accounting, auditing, internal controls, financial practices of the Group, and its exposure to risks of a regulatory, legal or business nature. The AC keeps under review the adequacy and effectiveness of the Group's system of accounting and internal controls. It also keeps under review the Group's programme to monitor compliance with its legal, regulatory and contractual obligations. The AC reviews the quarterly financial statements of the Company as well as the auditors' reports.

In performing its functions, the AC reviews the overall scope of both internal and external audits, and the assistance given by Management to the auditors. The AC also meets with the internal and external auditors annually, without the presence of Management, to discuss the results of their respective audit findings and their evaluation of the Group's system of accounting and internal controls. The AC reviews, on an annual basis, the independence of the internal and external auditors and makes recommendation to the Board on the remuneration, terms of engagement and nomination of the external auditor.

Since FY2014, the AC, with the approval of the Board, assumed the function of the Board Risk Committee to oversee the Group's enterprise risk management framework and policies.

The AC is empowered to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention, with full access to records, resources and personnel, to enable it to discharge its functions properly. It has full access to and co-operation of Management, and the internal auditor, and has full discretion to invite any director or executive officer to attend its meetings.

During the year, the key activities of the AC included the following:
- reviewed and recommended to the Board the quarterly and full-year financial results related SGX announcements;
- reviewed and evaluated with internal and external auditors, the adequacy and effectiveness of internal controls systems, including financial, operational, compliance and information technology controls;
- reviewed and approved the internal and external audit plans to ensure the adequacy of the audit scope;
- reviewed with internal auditor the audit reports and their recommendations and timely implementation of any improvement measures;
- reviewed the independence, adequacy and effectiveness of the Group's internal audit function, including the adequacy of internal audit resources and its appropriate standing within the Group;
- reviewed with external auditor the key areas of audit emphasis, periodic updates on changes in accounting standards and treatment, independence, fraud considerations and summary of audit differences;

- reviewed the enterprise risk management reports, its mitigation factors and updates;
- reviewed whistle-blowing investigations and ensuring appropriate follow-up actions, if required, including clearly communicating to the employees, the existence of the whistle-blowing policy and procedures for raising such concerns;
- reviewed Interested Person Transaction under Chapter 9 of SGX listing Manual;
- reviewed and recommended to the Board the proposed dividends for financial year ended 31 December 2018;
- reviewed the assurance from the CEO and Financial Controller on the financial records and financial statements;
- met with external and internal auditors without the presence of Management;
- reviewed and recommended the re-appointment, remuneration and terms of engagement of external auditor and is satisfied with the audit fees paid to the auditor; and
- reviewed the non-audit fee of the external auditor and is satisfied with the non-audit fees paid to the auditor.

In the review of the financial statements for FY2018, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditor of the Company and were reviewed by the AC:

Significant matters	AC's commentary
Impairment of goodwill	The AC considered the approach and methodology applied by Management to the respective valuation models for the goodwill impairment assessments, including the key assumptions for short- and long-term growth rates, cash-flow expectations and the discount rate used for the Group's cost of capital. The AC was satisfied that the approach and methodology used by Management were appropriate. The impairment review was also an area of focus for the external auditor, who had reported their findings to the AC. Details can be found in the Auditor's Report on page 45.
Impairment assessment of trade receivables	The AC considered the approach and methodology used by Management in the evaluation of the Group's trade receivables for impairment, including judgment in estimating the expected credit loss. The AC was satisfied that the approach and methodology used by Management were appropriate. The impairment assessment of trade receivables was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in the Auditor's Report on page 45.

The aggregate amount of audit and non-audit services payable to the external auditor, Ernst & Young LLP (EY), for FY2018 is disclosed in the financial note 5 on page 69 of the Annual Report. The AC has conducted a review of the non-audit services provided by EY and is satisfied that the independence of EY is not affected by such non-audit services. Having also reviewed and considered EY's audit quality indicators data, the AC recommends to the Board the re-appointment of EY as the external auditor of the Company for the financial year ending 31 December 2019.

With regards to the proposed re-appointment of the external auditor, the AC is satisfied that the Company has complied with the SGX Listing Rules 712 and 715. In addition, the AC is satisfied that the Company has complied with Rule 715 of the SGX Listing Rules regarding the audit of the Company's foreign subsidiaries and joint-ventures for FY2018.

Whistle-Blowing Policy
The whistle-blowing policy provides a channel for employees and other persons to raise their concerns directly to the AC Chairman on possible improprieties concerning financial reporting or other matters. The AC is satisfied that arrangements are in place for independent investigation and appropriate action.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

PricewaterhouseCoopers LLP (PwC), a reputable firm of international public accountants, has been appointed as internal auditor (IA) of the Group since September 2010. Given its pool of specialists in IT, risk management and internal controls, the AC is satisfied that the IA is independent, effective and adequately staffed with persons of the relevant qualification and experience.

The IA's primary reporting line is to the AC Chairman directly although the IA also reports administratively to the CEO. The IA reports their findings and recommendations directly to the AC. The IA has unfettered access to all the Group's documents, records, properties and personnel including access to the AC.

Under its terms of reference, the AC reviews and approves the internal audit plan. The AC also reviews the independence, adequacy and effectiveness of the internal audit function. The AC has re-appointed PwC as the Group's IA for FY2019.

Report on Corporate Governance (continued)

Shareholder Rights and Responsibilities

Shareholder rights

Principle 14: The Company should treat all shareholders fairly and equitable, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: The Company should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Conduct of Shareholder Meetings

Principle 16: The Company should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

The Company does not practise selective disclosure. Price-sensitive announcements and quarterly and full-year results are released via SGXNET and posted on the Company's website immediately thereafter. Shareholders are encouraged to sign up for the Email Alerts at the Company's website, www.panunited.com.sg, to receive the Company's SGXNET announcements automatically via email. In 2010, the Company started the practice of providing shareholders with the full annual report in CD-ROM format to reduce our carbon footprint. From 2018, the Company has taken a further step in sustainability by discontinuing the issue of CD-ROMs. The annual reports and other communications to the shareholders, such as Notices of Annual General Meeting, Letters to Shareholders, Circulars and Proxy Forms, will be made accessible at the Company's website. Shareholders can request for a printed copy of the annual report and Letter to Shareholders at no cost if they still wish to receive them in paper form.

At the Company's general meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group's financial statements and its businesses. The Chairman of respective Board Committees is present and available to address questions at these meetings. The external auditor is also present to assist the directors in addressing any relevant queries by shareholders.

The Chairman and the directors of the Board personally interact with the shareholders at the Company's general meetings.

The Constitution allows shareholders of the Company to appoint up to two proxies to attend and vote on their behalf. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each annual general meeting. The Company is not implementing absentia voting methods, such as voting by mail, email, fax, etc., until the security and integrity issues are satisfactorily resolved.

All resolutions put to every general meeting of the Company are voted separately unless the resolutions are interdependent and linked so as to form one significant proposal.

Since 2012, the Company put all resolutions to vote by electronic poll at the general meetings. An independent scrutineer is appointed to count and validate the votes cast at the meetings. Detailed results showing the number of votes cast for and against each resolution and the respective percentage will be displayed live-on-screen to shareholders/proxies immediately after each poll conducted. The shareholders are briefed on the voting procedures and how to vote for and against each resolution using the electronic hand-held device. The scrutineer will conduct a test poll to vote on a test resolution to familiarise the shareholders with the voting procedures and the electronic hand-held device. After the Company's general meetings, the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET.

The Company Secretary prepares minutes of general meetings, which incorporate substantial comments or queries and questions from shareholders and responses from the Board and Management, where relevant. The minutes are available to any shareholder upon request. The Company conducts analyst briefings regularly and also has a dividend policy in place which is to distribute, subject to projected funds requirements, not less than one third of its annual attributable profits to shareholders as dividends.

Listing Rule 1207(19) - Dealings in Securities

The Company has implemented a policy which prohibits key executives of the Group and directors of the Company from dealing in the Company's shares for short-term considerations as well as during the period commencing two weeks before the announcement of the Company's quarterly results and one month before the announcement of the full-year results. In addition, directors and employees are made aware that insider trading laws are applicable at all times.

Material contracts

There were no material contracts of the Company or its subsidiaries, involving the interests of any director or controlling shareholder, entered into since the end of the previous financial year.

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis. Currently, there is no shareholders' mandate for interested person transaction pursuant to Rule 920 of the Listing Manual of the SGX-ST.

There were no interested person transactions as defined in Chapter 9 of the SGX Listing Manual, entered into by the Company or the Group during FY2018.

On behalf of the Board of Directors,

Ch'ng Jit Koon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
22 March 2019

Report on Corporate Governance (continued)

ADDITIONAL INFORMATION RELATING TO THE RETIRING DIRECTORS AS SET OUT IN APPENDIX 7.4.1 OF THE LISTING MANUAL OF THE SGX-ST PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	**Soh Ee Beng**	**Ng Bee Bee**	**Tay Siew Choon**
Date of Appointment	17 December 2018	31 January 2004	1 February 2005
Date of last re-appointment	N.A.	26 April 2016	26 April 2016
Age	50	51	71
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	N.A.	N.A.	N.A.
Whether appointment is executive, and if so, the area of responsibility	No	Yes Ms Ng Bee Bee is responsible for the overall management of the Group.	No
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.	Independent Director Audit Committee Member	Executive Director and Chief Executive Officer Executive Committee Member	Independent Director Remuneration Committee Chairman Audit Committee Member Nominating Committee Member
Professional qualifications	Bachelor of Accountancy degree with First Class Honours	Bachelor of Arts Honours degree	Master of Science in Systems Engineering Bachelor of Engineering (Electrical) Honours degree Member of MIES, The Institution of Engineers, Singapore
Working experience and occupation(s) during the past 10 years	2018 – current Independent Director of the Company 2017 – current Independent Director of Xinghua Port Holdings Ltd 2013 – 2018 Managing Director, Head of Advisory South East Asia of The Hongkong and Shanghai Banking Corporation Ltd 2008 - 2012 Managing Director, Head of Investment Banking Singapore of N M Rothschild & Sons (Singapore) Ltd	2004 – current Executive Director of the Company 2011 – current Chief Executive Officer of the Company	2005 – current Independent Director of the Company

Name of Director	Soh Ee Beng	Ng Bee Bee	Tay Siew Choon
Shareholding interest in the listed issuer and its subsidiaries	Nil	Ms Ng Bee Bee has a deemed interests of 408,375,002 shareholdings in the Company, comprising the shareholdings of BOS Trustee Limited held under nominee's account (207,000,000 shares), shares in the joint names of Mr Ng Han Whatt, Ms Jane Kimberly Ng Bee Kiok and Ms Ng Bee Bee (191,250,000 shares) and shares held by her nominees (10,125,002 shares)	Mr Tay Siew Choon has a direct interests of 1,037,500 shareholdings in the Company, and has 790,800 share options of the Company.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Ms Ng Bee Bee is the sister of : Mr Ng Han Whatt and Ms Jane Kimberly Ng Bee Kiok (substantial shareholders); and Mr Patrick Ng Bee Soon (Deputy Chairman)	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments Including Directorships			
Past (for the last 5 years)	Nil	NTUC Choice Homes Co-operative Ltd	Nil
Present	Xinghua Port Holdings Ltd	FICO Pan-United Concrete Joint Stock Company Fortis Star Sdn Bhd GoTruck Pte Ltd GoTruck Holdings Pte Ltd Mercatus Co-operative Ltd Meridian Maplestar Sdn Bhd NTUC Enterprise Co-operative Ltd PanU Harmony Pte Ltd Pan-United Concrete Pte Ltd Pan-United Industries Pte Ltd Pan-United Technologies Pte Ltd Raffles Cement Pte Ltd Raffles Concrete Pte Ltd United Bulk Shipping Pte Ltd United Cement Pte Ltd	GoTruck Pte Ltd GoTruck Holdings Pte Ltd PoreDeen Pte Ltd Straco Corporation Ltd TauRx Therapeutics Ltd TauRx Pharmaceuticals Ltd WisTa Laboratories Ltd

Report on Corporate Governance (continued)

ADDITIONAL INFORMATION RELATING TO THE RETIRING DIRECTORS AS SET OUT IN APPENDIX 7.4.1 OF THE LISTING MANUAL OF THE SGX-ST PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST (continued)

Name of Director	Soh Ee Beng	Ng Bee Bee	Tay Siew Choon
Information required pursuant to Listing Rule 704(7)			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

Name of Director	Soh Ee Beng	Ng Bee Bee	Tay Siew Choon
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

Report on Corporate Governance (continued)

ADDITIONAL INFORMATION RELATING TO THE RETIRING DIRECTORS AS SET OUT IN APPENDIX 7.4.1 OF THE LISTING MANUAL OF THE SGX-ST PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST (continued)

Name of Director	Soh Ee Beng	Ng Bee Bee	Tay Siew Choon
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

<table>
<tr><th>Name of Director</th><th>Soh Ee Beng</th><th>Ng Bee Bee</th><th>Tay Siew Choon</th></tr>
<tr><td colspan="4">Disclosure applicable to the appointment of Director only.</td></tr>
<tr><td>Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</td><td>N.A.</td><td>N.A.</td><td>N.A.</td></tr>
</table>

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Pan-United Corporation Ltd (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

1. Opinion of the Directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Board of Directors

The directors of the Company in office at the date of this statement are:

Ch'ng Jit Koon	–	Chairman, Independent Director
Patrick Ng Bee Soon	–	Deputy Chairman
Ng Bee Bee	–	Chief Executive Officer
Cecil Vivian Richard Wong	–	Independent Director
Tay Siew Choon	–	Independent Director
Soh Ee Beng	–	Independent Director

3. Arrangements to Enable Directors to Acquire Shares and Debentures

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. Directors' Interests in Shares and Debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company **Pan-United Corporation Ltd** (ordinary shares)				
Ch'ng Jit Koon	1,810,000	1,810,000	–	–
Patrick Ng Bee Soon	34,962,037	34,962,037	–	–
Ng Bee Bee	–	–	408,375,002*	408,375,002*
Cecil Vivian Richard Wong	625,000	625,000	–	–
Tay Siew Choon	1,037,500	1,037,500	–	–

* These include 191,250,000 (as at 1 January 2018: 191,250,000) ordinary shares held as joint shareholders.

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
(options to subscribe for ordinary shares)				
Ch'ng Jit Koon	640,800	627,200	–	–
Cecil Vivian Richard Wong	640,800	627,200	–	–
Tay Siew Choon	804,400	790,800	–	–

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr Patrick Ng Bee Soon and Ms Ng Bee Bee are deemed to have an interest in the shares of the subsidiaries of the Company to the extent that the Company has interest.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Options

The extension of the Pan-United Share Option Scheme (Scheme 2002), which was approved by shareholders of the Company at the Extraordinary General Meeting held on 19 April 2012, will expire on 18 April 2022.

Under the Scheme 2002, the options granted prior to its expiry date and outstanding as at 31 December 2018 are as follows:

			No. of share options
Date granted	**Exercise price/ Adjusted exercise price***	**Exercise period**	**At date of grant and at 31 December 2018**
18/11/2011	$0.43/0.27	18/11/2012 - 17/11/2021	61,200
15/11/2012	$0.62/0.39	15/11/2013 - 14/11/2022	522,700
20/11/2013	$0.91/0.58	20/11/2014 - 19/11/2023	1,595,300
19/11/2014	$0.80/0.51	19/11/2015 - 18/11/2019	654,400
19/11/2014	$0.80/0.51	19/11/2015 - 18/11/2024	1,677,400
19/11/2015	$0.55/0.35	19/11/2016 - 18/11/2020	327,200
19/11/2015	$0.55/0.35	19/11/2016 - 18/11/2025	1,482,200
11/11/2016	$0.55/0.35	11/11/2017 - 10/11/2021	654,400
11/11/2016	$0.55/0.35	11/11/2017 - 10/11/2026	1,859,000
08/12/2017	$0.55/0.35	08/12/2018 - 07/12/2022	600,000
08/12/2017	$0.55/0.35	08/12/2018 - 07/12/2027	1,470,000
16/11/2018	$0.27	16/11/2019 - 15/11/2023	450,000
16/11/2018	$0.27	16/11/2019 - 15/11/2028	1,545,000
			12,898,800

* The adjustments which have been made in accordance with the rules of the Scheme 2002 in conjunction with the discontinued operations of the Port business, under Xinghua Port Holdings Ltd (Xinghua), which was de-merged on 7 February 2018, as a separate entity through a capital reduction of the Company and a distribution in specie of all the shares in Xinghua, held by the Company, to its shareholders.

During the financial year ended 31 December 2018, the Company has granted 450,000 options to non-executive directors of the Company and 1,545,000 options to certain employees of the Group, at the exercise price of $0.27. Details of these options granted are as follows:

Exercisable date	Expiry date	Number of options
16/11/2019	15/11/2023	450,000
16/11/2019	15/11/2028	459,000
16/11/2020	15/11/2028	468,000
16/11/2021	15/11/2028	618,000
		1,995,000

No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted.

Pursuant to Rule 852 of the Listing Manual of Singapore Exchange Securities Trading Limited, it is reported that during the financial year:

(i) the Scheme 2002 is administered by the Remuneration Committee, comprising three directors, Mr Tay Siew Choon (Chairman), Mr Cecil Vivian Richard Wong and Mr Patrick Ng Bee Soon;

(ii) the options granted under the Scheme 2002 were granted without any discount; and

(iii) no options have been granted to controlling shareholders or their associates and no employee received 5% or more of the total options available under Scheme 2002.

No director is involved in discussions or decisions in respect of any remuneration, options or any form of benefits to be granted to him/her.

Directors' Statement (continued)

5. Options (continued)

Details of options granted and exercised under Scheme 2002 for directors of the Company are as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of Scheme 2002 to the end of financial year	Aggregate options exercised since commencement of Scheme 2002 to the end of financial year	Aggregate options lapsed since commencement of Scheme 2002 to the end of financial year	Aggregate options outstanding as at the end of financial year
Ch'ng Jit Koon	150,000	2,380,800	(1,440,000)	(313,600)	627,200
Cecil Vivian Richard Wong	150,000	2,380,800	(1,440,000)	(313,600)	627,200
Tay Siew Choon	150,000	2,084,400	(830,000)	(463,600)	790,800
	450,000	6,846,000	(3,710,000)	(1,090,800)	2,045,200

6. Audit Committee

The Audit Committee (AC) carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance.

The AC has recommended to the Board of Directors the re-appointment of Ernst & Young LLP as the external auditor of the Company for the financial year ending 31 December 2019.

7. Auditor

Ernst & Young LLP have expressed their willingness to accept the re-appointment as auditor.

On behalf of the Board of Directors,

Ch'ng Jit Koon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
22 March 2019

INDEPENDENT AUDITOR'S REPORT

For the Financial Year ended 31 December 2018

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pan-United Corporation Ltd (the Company) and its subsidiaries (collectively, the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of goodwill

At 31 December 2018, the Group has goodwill arising from past acquisition in PT. Pacific Granitama of $2.3 million. We considered impairment assessment of goodwill to be a key audit matter as this involved significant management's judgement about future results of the Group's business. Based on the annual impairment testing, no impairment was required as at 31 December 2018.

In determining the recoverable amount of the cash generating unit to which goodwill had been allocated to, the Group used the value-in-use calculations based on key assumptions related to future market and economic conditions such as economic growth, inflation rates, discount rate, revenue and margin estimates. Our audit procedures included, amongst others, evaluating the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results and considering the latest industry outlook and historical data. We involved our internal specialist to assist us in evaluating the reasonableness of the discount rate applied in the value-in-use calculation. We also assessed management's sensitivity analysis of the goodwill balance to changes in the key assumptions.

Finally, we considered the adequacy of the note disclosures in Note 12 to the financial statements, including those key assumptions to which the outcome of the impairment test was most sensitive.

Impairment assessment of trade receivables

As at 31 December 2018, gross trade receivables of the Group and allowance for expected credit losses amounted to $150.1 million and $5.1 million respectively. Trade receivable balances were significant to the Group as they represent 34.4% of the Group's total assets. The collectability of these trade receivables was a key element of the Group's working capital management and was managed on an ongoing basis by the management. As the impairment assessment on these trade receivables required significant management judgment in estimating the expected credit losses (ECL), we determined this area to be a key audit matter.

Our audit procedures included, amongst others, obtaining an understanding of the Group's processes and related controls on the monitoring of the collectability of trade receivables as well as considering the ageing profile of outstanding trade receivables. We requested trade receivable confirmations from major debtors and assessed their collectability by evaluating receipts after year-end. We also assessed the key assumptions used by management to determine expected impairment loss for overdue trade receivables, where applicable, through analysis of ageing of outstanding receivables, assessment of significant overdue individual trade receivables and specific customer profile and risks.

Independent Auditor's Report (continued)

We assessed the Group's provisioning policy, which include testing whether the ECL provision is in accordance with SFRS(I) 9 by comparing against historical collection data, and considering the effects of time value of money and forward-looking information. We also checked the mathematical accuracy of the calculations.

The Group's disclosures are included in Note 17 and Note 33c to the financial report, which outlines the accounting policy for determining the allowance for expected credit losses and details of the period on period movement in gross and net trade receivables.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Low Yen Mei.

Ernst & Young LLP
Public Accountants and Chartered Accountants

Singapore
22 March 2019

CONSOLIDATED INCOME STATEMENT

For the Financial Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Revenue	4	**863,530**	629,321
Other income	5a	**2,900**	3,117
Raw materials, subcontract costs and other direct costs		**(755,176)**	(531,589)
Staff costs	6	**(37,292)**	(35,276)
Depreciation and amortisation expenses		**(17,571)**	(14,486)
Other expenses	5b	**(44,918)**	(42,703)
Finance costs	7	**(4,423)**	(3,749)
Share of results of associates		**1,893**	3,084
Profit before tax from continuing operations	5	**8,943**	7,719
Income tax expense	8	**(2,399)**	(1,159)
Profit from continuing operations, net of tax		**6,544**	6,560
Discontinued operations			
Profit from discontinued operations, net of tax	9	**1,007**	17,738
Profit for the year		**7,551**	24,298
Attributable to			
Equity holders of the Company			
Profit from continuing operations, net of tax		**6,072**	5,788
Profit from discontinued operations, net of tax		**878**	14,288
Profit for the year attributable to equity holders of the Company		**6,950**	20,076
Non-controlling interests			
Profit from continuing operations, net of tax		**472**	772
Profit from discontinued operations, net of tax		**129**	3,450
Profit for the year attributable to non-controlling interests		**601**	4,222
Earnings per share from continuing operations attributable to equity holders of the Company (cents per share)			
Basic	10	**0.87**	0.83
Diluted	10	**0.87**	0.83
Earnings per share (cents per share)			
Basic	10	**0.99**	2.86
Diluted	10	**0.99**	2.86

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year ended 31 December 2018

	2018 $'000	2017 $'000
Profit for the year	**7,551**	24,298
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Foreign currency translation	**1,563**	(3,412)
Fair value changes of derivatives	**1,933**	(4,021)
Other comprehensive income for the year, net of tax	**3,496**	(7,433)
Total comprehensive income for the year	**11,047**	16,865
Attributable to		
Equity holders of the Company	**10,101**	13,462
Non-controlling interests	**946**	3,403
Total comprehensive income for the year	**11,047**	16,865
Attributable to equity holders of the Company		
Total comprehensive income from continuing operations, net of tax	**7,116**	1,069
Total comprehensive income from discontinued operations, net of tax	**2,985**	12,393
Total comprehensive income for the year attributable to equity holders of the Company	**10,101**	13,462

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2018

		Group		
			31 December	1 January
		2018	2017	2017
	Note	**$'000**	$'000	$'000
Non-current assets				
Property, plant and equipment	11	**180,052**	185,851	455,178
Intangible assets	12	**4,888**	4,324	24,507
Associates	14	**3,078**	3,728	9,803
Other investments	15	**407**	407	996
Trade and other receivables	17	**665**	633	933
Deferred tax assets	24	**679**	475	831
		189,769	195,418	492,248
Current assets				
Inventories	16	**22,293**	34,362	20,193
Work-in-progress		**–**	–	382
Prepayments		**1,825**	2,652	3,322
Trade and other receivables	17	**149,389**	139,007	146,252
Derivatives	25	**423**	–	2,879
Other assets	18	**10,259**	4,631	1,577
Cash and short-term deposits	19	**47,894**	63,133	72,662
		232,083	243,785	247,267
Assets of disposal group classified as held for sale	9	**–**	341,434	–
		232,083	585,219	247,267
Current liabilities				
Loans and borrowings	20	**62,274**	41,559	52,381
Payables and accruals	21	**76,442**	98,925	109,215
Deferred income	22	**5,244**	5,361	558
Provisions	23	**1,163**	1,284	1,983
Income tax payable		**2,021**	1,408	3,350
Derivatives	25	**–**	1,627	–
		147,144	150,164	167,487
Liabilities directly associated with disposal group classified as held for sale	9	**–**	170,545	–
		147,144	320,709	167,487
Net current assets		**84,939**	264,510	79,780
Non-current liabilities				
Loans and borrowings	20	**64,192**	81,342	245,936
Deferred tax liabilities	24	**7,704**	6,991	10,605
Deferred income	22	**–**	–	893
Other liability	21	**539**	537	580
Provisions	23	**3,949**	3,149	3,000
Derivatives	25	**–**	–	368
		76,384	92,019	261,382
Net assets		**198,324**	367,909	310,646
Equity attributable to equity holders of the Company				
Share capital	26a	**12,645**	151,799	92,052
Treasury shares	26b	**(957)**	(957)	(1,759)
Reserves		**179,852**	141,138	183,394
Reserves of disposal group classified as held for sale	9	**–**	36,914	–
		191,540	328,894	273,687
Non-controlling interests		**6,784**	39,015	36,959
Total equity		**198,324**	367,909	310,646

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Note	Company 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current assets				
Property, plant and equipment	11	**248**	271	318
Intangible assets	12	**370**	1,001	–
Subsidiaries	13	**92,552**	81,049	180,119
Other investments	15	**404**	404	930
		93,574	82,725	181,367
Current assets				
Prepayments		**305**	566	580
Trade and other receivables	17	**22,487**	3,081	2,812
Derivatives	25	**423**	–	2,879
Cash and short-term deposits	19	**27,681**	38,637	43,270
		50,896	42,284	49,541
Assets of disposal group classified as held for sale	9	**–**	102,000	–
		50,896	144,284	49,541
Current liabilities				
Loans and borrowings	20	**–**	–	2,000
Payables and accruals	21	**17,760**	1,366	1,953
Income tax payable		**32**	33	2
Derivatives	25	**–**	1,627	–
		17,792	3,026	3,955
Net current assets		**33,104**	141,258	45,586
Non-current liabilities				
Loans and borrowings	20	**19,787**	20,000	78,000
Derivatives	25	**–**	–	368
		19,787	20,000	78,368
Net assets		**106,891**	203,983	148,585
Equity attributable to equity holders of the Company				
Share capital	26a	**12,645**	151,799	92,052
Treasury shares	26b	**(957)**	(957)	(1,759)
Reserves		**95,203**	53,141	58,292
Total equity		**106,891**	203,983	148,585

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year ended 31 December 2018

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital (Note 26a) $'000	Treasury shares (Note 26b) $'000	Statutory reserve (Note 27) $'000	Foreign currency translation reserve (Note 29) $'000	Retained earnings $'000	Other reserves (Note 28) $'000	Reserves of disposal group classified as held for sale $'000	Total reserves $'000	$'000	$'000
Group 2018										
Opening balance at 1 January 2018 (FRS)	151,799	(957)	–	(6,925)	148,242	(179)	36,914	178,052	39,015	367,909
Cumulative effects of adopting (SFRS(I))	–	–	–	6,228	(6,228)	–	–	–	–	–
Opening balance at 1 January 2018 (SFRS(I))	151,799	(957)	–	(697)	142,014	(179)	36,914	178,052	39,015	367,909
Profit for the year	–	–	–	–	6,072	–	878	6,950	601	7,551
Other comprehensive income										
Foreign currency translation	–	–	–	(889)	–	–	2,107	1,218	345	1,563
Fair value changes of derivatives	–	–	–	–	–	1,933	–	1,933	–	1,933
Other comprehensive income for the year, net of tax	–	–	–	(889)	–	1,933	2,107	3,151	345	3,496
Total comprehensive income for the year	–	–	–	(889)	6,072	1,933	2,985	10,101	946	11,047
Contributions by and distributions to equity holders										
Cost of share-based payment (share options)	–	–	–	–	–	51	–	51	–	51
Proceeds from dilution of investment in a subsidiary	–	–	–	–	–	–	–	–	3	3
Dividends on ordinary shares (Note 36)	–	–	–	–	(5,607)	–	–	(5,607)	–	(5,607)
Distribution in specie	–	–	–	–	–	37,154	(39,899)	(2,745)	(32,513)	(35,258)
Capital reduction	(139,154)	–	–	–	–	–	–	–	–	(139,154)
Total transactions with equity holders in their capacity as equity holders	(139,154)	–	–	–	(5,607)	37,205	(39,899)	(8,301)	(32,510)	(179,965)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(667)	(667)
Closing balance at 31 December 2018	12,645	(957)	–	(1,586)	142,479	38,959	–	179,852	6,784	198,324

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital (Note 26a) $'000	Treasury shares (Note 26b) $'000	Statutory reserve (Note 27) $'000	Foreign currency translation reserve (Note 29) $'000	Retained earnings $'000	Other reserves (Note 28) $'000	Reserves of disposal group classified as held for sale $'000	Total reserves $'000	$'000	$'000
Group 2017										
Opening balance at 1 January 2017 (FRS)	92,052	(1,759)	3,000	(6,766)	254,045	(66,885)	–	183,394	36,959	310,646
Cumulative effects of adopting (SFRS(I))	–	–	–	6,766	(6,766)	–	–	–	–	–
Opening balance at 1 January 2017 (SFRS(I))	92,052	(1,759)	3,000	–	247,279	(66,885)	–	183,394	36,959	310,646
Profit for the year	–	–	–	–	20,076	–	–	20,076	4,222	24,298
Other comprehensive income										
Foreign currency translation	–	–	–	(2,593)	–	–	–	(2,593)	(819)	(3,412)
Fair value changes of derivatives	–	–	–	–	–	(4,021)	–	(4,021)	–	(4,021)
Other comprehensive income for the year, net of tax	–	–	–	(2,593)	–	(4,021)	–	(6,614)	(819)	(7,433)
Total comprehensive income for the year	–	–	–	(2,593)	20,076	(4,021)	–	13,462	3,403	16,865
Contributions by and distributions to equity holders										
Shares issued pursuant to rights issue	59,747	–	–	–	–	–	–	–	–	59,747
Cost of share-based payment (share options)	–	–	–	–	–	68	–	68	–	68
Reissuance of treasury shares	–	802	–	–	–	(229)	–	(229)	–	573
Dividends on ordinary shares (Note 36)	–	–	–	–	(18,919)	–	–	(18,919)	–	(18,919)
Total transactions with equity holders in their capacity as equity holders	59,747	802	–	–	(18,919)	(161)	–	(19,080)	–	41,469
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(1,071)	(1,071)
Effect of share swap arrangement	–	–	–	–	–	276	–	276	(276)	–
Reclassification to reserves of disposal group classified as held for sale	–	–	(3,000)	1,896	(106,422)	70,612	36,914	–	–	–
Closing balance at 31 December 2017	151,799	(957)	–	(697)	142,014	(179)	36,914	178,052	39,015	367,909

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity (continued)

	Attributable to equity holders of the Company					Total equity
	Share capital (Note 26a) $'000	Treasury shares (Note 26b) $'000	Retained earnings $'000	Other reserves (Note 28) $'000	Total reserves $'000	$'000
Company 2018						
Opening balance at 1 January 2018 (FRS) and (SFRS(I))	**151,799**	**(957)**	**53,320**	**(179)**	**53,141**	**203,983**
Profit for the year	**–**	**–**	**8,531**	**–**	**8,531**	**8,531**
Other comprehensive income						
Fair value changes of derivatives	**–**	**–**	**–**	**1,933**	**1,933**	**1,933**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**1,933**	**1,933**	**1,933**
Total comprehensive income for the year	**–**	**–**	**8,531**	**1,933**	**10,464**	**10,464**
Cost of share-based payment (share options)	**–**	**–**	**–**	**51**	**51**	**51**
Dividends on ordinary shares (Note 36)	**–**	**–**	**(5,607)**	**–**	**(5,607)**	**(5,607)**
Distribution in specie	**–**	**–**	**–**	**37,154**	**37,154**	**37,154**
Capital reduction	**(139,154)**	**–**	**–**	**–**	**–**	**(139,154)**
Closing balance at 31 December 2018	**12,645**	**(957)**	**56,244**	**38,959**	**95,203**	**106,891**
Company 2017						
Opening balance at 1 January 2017 (FRS) and (SFRS(I))	92,052	(1,759)	54,289	4,003	58,292	148,585
Profit for the year	–	–	17,950	–	17,950	17,950
Other comprehensive income						
Fair value changes of derivatives	–	–	–	(4,021)	(4,021)	(4,021)
Other comprehensive income for the year, net of tax	–	–	–	(4,021)	(4,021)	(4,021)
Total comprehensive income for the year	–	–	17,950	(4,021)	13,929	13,929
Shares issued pursuant to rights issue	59,747	–	–	–	–	59,747
Cost of share-based payment (share options)	–	–	–	68	68	68
Reissuance of treasury shares	–	802	–	(229)	(229)	573
Dividends on ordinary shares (Note 36)	–	–	(18,919)	–	(18,919)	(18,919)
Closing balance at 31 December 2017	151,799	(957)	53,320	(179)	53,141	203,983

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the Financial Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit before tax from continuing operations		**8,943**	7,719
Profit before tax from discontinued operations	9	**1,485**	24,726
Profit before tax, total		**10,428**	32,445
Adjustments for			
Depreciation expenses		**18,182**	24,411
Amortisation of intangible assets	12	**234**	165
Amortisation of upfront fees	20	**(211)**	–
Interest income		**(351)**	(544)
Interest expense		**3,947**	10,810
Net gain on disposal of property, plant and equipment		**(25)**	(25)
Impairment loss/(reversal of impairment loss) on trade receivables	5b	**2,863**	(93)
Write-down/(reversal of write-down) of inventories	5b	**62**	(7)
Net gain on disposal of other investments	5a	**–**	(4)
Net gain on disposal of intangible assets	5a	**(29)**	(19)
Reversal of provisions	23	**(215)**	(301)
Write-off of property, plant and equipment		**327**	1,251
(Reversal of fair value changes)/fair value changes of derivatives		**(117)**	117
Share-based payment expenses	6	**51**	68
Share of results of associates		**(2,078)**	(5,509)
Foreign exchange differences		**(1,001)**	(1,151)
Operating cash flows before changes in working capital		**32,067**	61,614
Changes in working capital			
Increase in trade and other receivables		**(13,621)**	(17,631)
Decrease/(increase) in prepayments		**889**	(186)
Decrease/(increase)in inventories and work-in-progress		**11,999**	(13,988)
Increase in other assets		**(5,628)**	(3,054)
(Decrease)/increase in payables, accruals and provisions		**(17,275)**	24,768
(Decrease)/increase in deferred income		**(120)**	4,781
Cash flows from operations		**8,311**	56,304
Interest paid		**(3,947)**	(10,810)
Income tax paid		**(2,723)**	(7,900)
Interest received		**351**	544
Net cash flows from operating activities		**1,992**	38,138
Cash flows from investing activities			
Additions to property, plant and equipment	Note A	**(11,424)**	(30,003)
Additions to intangible assets	12	**(811)**	(1,751)
Proceeds from disposal of property, plant and equipment		**67**	696
Net cash outflow on de-merger of subsidiaries		**(3,820)**	–
Proceeds from disposal of other investments		**–**	18
Proceeds from disposal of intangible assets		**42**	45
Dividend income from associates		**2,543**	6,063
Capital refund from other investment		**–**	156
Net cash flows used in investing activities		**(13,403)**	(24,776)
Cash flows from financing activities			
Proceeds from bank borrowings		**108,161**	108,641
Repayment of bank borrowings		**(106,400)**	(153,420)
Proceeds from issuance of redeemable convertible preference shares		**3**	–
Net proceeds from right issues	26a	**–**	59,747
Proceeds from reissuance of treasury shares		**–**	573
Dividends paid to shareholders	36	**(5,607)**	(18,919)
Dividends paid to non-controlling interests		**(667)**	(1,071)
Net cash flows used in financing activities		**(4,510)**	(4,449)
Net (decrease)/increase in cash and cash equivalents		**(15,921)**	8,913
Cash and cash equivalents as at beginning of year		**63,133**	72,662
Reclassified to assets held for sale	19	**–**	(17,918)
Effects of exchange rate changes on opening cash and cash equivalents		**682**	(524)
Cash and cash equivalents as at end of year	19	**47,894**	63,133
Note A: Reconciliation of additions to property, plant and equipment			
Additions of property, plant and equipment	11	**12,527**	30,550
Less: Provision for land reinstatement during the financial year	23	**(1,235)**	(547)
Add: Additions in relation to discontinued operations		**132**	–
		11,424	30,003

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

Pan-United Corporation Ltd (the Company) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 7 Temasek Boulevard, #16-01 Suntec Tower One, Singapore 038987.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and associates are disclosed in Note 13 and Note 14 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to the following section for information on how the Group adopted SFRS(I).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of $6,766,000 was adjusted against the opening retained earnings as at 1 January 2017.

- The comparative information does not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures, to the extent the disclosures relate to items within the scope of SFRS(I) 9.

2.3 New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. There is no significant impact arising from the adoption of SFRS(I) 9 at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement
SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retropectively to those financial assets that were not derecognied before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

The Group currently measures one of its investments in unquoted equity securities at cost. Upon adoption of SFRS(I) 9, the Group measures the unquoted equity securities at FVOCI. There is no impact arising from this change as the net carrying value as disclosed in Note 15 approximates to the fair value as at 1 January 2018.

The initial application of SFRS(I) 9 does not have any reclassification effect to the Group's financial statements.

For the Company's financial statements, non-current amounts due from subsidiaries have been assessed to be out-of-scope with the initial application of SFRS(I) 9 as repayments are at the sole discretion of the respective subsidiaries.

Impairment
SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

There is no additional impairment recognised or adjustment to the opening retained earnings arising from the adoption of SFRS(I) 9 at the date of initial application, 1 January 2018.

SFRS(I) 15 Revenue from Contracts with Customers
The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively. Details of the adoption of SFRS(I) 15 in relation to contracts with variable consideration are outlined in Note 3.1.

There is no adjustment to the opening retained earnings on 1 January 2017 and there is no significant impact arising from the adoption of SFRS(I) 15 at the date of initial application, 1 January 2018.

2.4 Standards issued but not yet effective
The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

Notes To The Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.4 Standards issued but not yet effective (continued)

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively, with the lease liability measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group is currently performing a preliminary assessment on the impact arising from the initial adoption of SFRS(I) 16 on 1 January 2019. The Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases upon adoption of SFRS(I) 16. In addition, the Group expects an increase in its earnings before interest, tax, depreciation and amortisation (EBITDA) and gearing ratio.

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquire are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.6 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to equity holders of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

2.7 Foreign currency

The financial statements are presented in SGD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Notes To The Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land (includes land use rights)	–	Over the remaining lease terms
Leasehold buildings	–	Over the remaining lease terms
Plant and machinery	–	5 to 50 years
Office furniture and equipment	–	3 to 10 years
Motor vehicles	–	5 to 10 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(a) Import quota (other assets)

Import quota costs are recognised as an intangible asset when the Group can demonstrate that the cost to secure the quota is separable, its control over the import quota and how the import quota will generate future economic benefits.

(b) Developed technology

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales or usage from the related project (ranging from 5 to 10 years) on a straight line basis.

(c) Club memberships

Club memberships relate to the entrance fees paid for the right to use the facilities of the club. Club memberships are carried at cost less any impairment loss.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses relating to goodwill cannot be reversed in future periods.

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

2.12 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates.

Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Notes To The Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.13 Deferred income

Deferred income relates to land lease arrangements, coal trading and voyages-in-progress. Deferred income is credited into profit or loss as revenue when the Group satisfies the respective performance obligations.

Deferred income from land lease arrangements is recognised as revenue on a straight-line basis over the land lease term from the contract commencement date.

Deferred income from coal trading is recognised as revenue when the Group satisfies the performance obligation at a point in time, which is when the control of the coal has been transferred to the customer, depending on the contractual terms and the practices in the legal jurisdictions.

Deferred income from voyages-in-progress is recognised as revenue using the percentage of completion method. The Group satisfies the performance obligation over time, with the customer simultaneously receives and consumes the benefits as the Group renders the service.

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

(i) Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement category for classification of debt instruments is at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Investment in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

(iii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in OCI.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

The Group assesses on a forward-looking basis the ECL associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience. Details are outlined in Note 33c.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average method and includes all cost incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and after making allowance for damaged, obsolete and slow-moving items.

2.18 Work-in-progress

Work-in-progress comprises cost of voyages-in-progress.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

Notes To The Financial Statements (continued)

2. **Summary of significant accounting policies** (continued)

2.21 Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:
- fair value hedges when hedging the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while any ineffective portion is recognised immediately in profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments, as well as interest rate swap as hedges of its exposure to interest rate risk. The ineffective portion relating to interest rate swap is recognised in profit or loss. Refer to Note 25 for more details.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

When a cash flow hedge is discontinued, the cumulative gain or loss previously recognised in other comprehensive income will remain in the cash flow hedge reserve until the future cash flows occur if the hedged future cash flows are still expected to occur or reclassified to profit or loss immediately if the hedged future cash flows are no longer expected to occur.

2.22 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.23 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee share option plans

The Company has in place the Pan-United Share Option Scheme (Scheme 2002) for granting of options (equity-settled transactions) to eligible directors and employees of the Group to subscribe for shares in the Company. Details of the Scheme 2002 are disclosed in Note 6.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to revenue reserve upon expiry of the options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.24 Leases

(a) As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25e.

2.25 Revenue

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue is measured based on the consideration to which the Group expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that no significant reversal of revenue will occur once associated uncertainties are resolved.

The amount of variable consideration is calculated by using either the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and the financing benefit either to the customer or the Group is significant.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Group reasonably estimates them, primarily by using historical reference values. Revenue is recognised for each performance obligation either at a point in time or over time.

(a) Sales of goods

Revenue from sales of goods is recognised when the Group satisfies the performance obligation at a point in time, which is when the control of the promised goods has been transferred to the customer, depending on the contractual terms and the practices in the legal jurisdictions. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from rendering of services is recognised using the percentage of completion method as the Group satisfies the performance obligation over time. The customer simultaneously receives and consumes the benefits as the Group renders the service.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the Group’s right to receive payment is established.

(e) Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

Notes To The Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.26 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the taxes relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segments' performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segmental information.

2.28 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.29 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.30 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.31 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the balance sheet. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the balance sheet or in the notes. An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale. In the profit or loss statement of the current reporting period, and of the comparative period, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes To The Financial Statements (continued)

3. Significant accounting estimates and judgements (continued)

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement which has an effect on the amounts recognised in the consolidated financial statements:

Estimating variable consideration for sale of goods

In estimating the variable consideration for the sale of goods (i.e. concrete), the Group uses the expected value method to estimate the variable price component. The variable price component is pegged to a monthly price index, which is published one to two months subsequent to month-end. Management relies on latest available price index to estimate the variable price component of the last two months of the financial reporting period end.

Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. Management has taken into consideration of both the likelihood and magnitude in its assessment on the probability of a significant revenue reversal. Based on historical experience, it is highly probable that a significant reversal in the cumulative amount of revenue recognised will not occur when the actual price index is published subsequent to the financial reporting period end.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 33c.

The carrying amount of trade receivables as at 31 December 2018 is disclosed in Note 17.

(b) Impairment of goodwill

Management assesses for indicators of impairment of goodwill at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 12.

The carrying amount of goodwill as at 31 December 2018 is disclosed in Note 12.

4. Revenue

	Group 2018 $'000	Group 2017 $'000
Sale of goods	**855,058**	621,886
Rendering of services	**8,472**	7,435
	863,530	629,321

Disaggregation of revenue

Disaggregation of the Group's revenue is detailed in Note 35a.

Timing of transfer of goods or services (by business segments)

- Concrete and Cement: at a point in time.
- Trading and Shipping: timing of transfer of goods for trading activities is at a point in time, while timing of transfer of services for shipping activities is over time.

5. Profit before tax from continuing operations

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the following items have been included in arriving at profit before tax from continuing operations:

		Group 2018 $'000	Group 2017 $'000
(a)	**Other income**		
	Agency and brokerage income	**864**	1,033
	Government grant	**544**	287
	Interest income from loans and receivables	**–**	373
	Interest income from financial assets	**351**	–
	Net gain on disposal of property, plant and equipment	**25**	54
	Net gain on disposal of other investments	**–**	4
	Net gain on disposal of intangible assets	**29**	19
(b)	**Other expenses**		
	Rental of equipment, maintenance and consumables	**17,620**	17,189
	Land rental and land usage tax	**12,257**	13,094
	Utilities and telecommunication charges	**4,769**	4,783
	Impairment loss/(reversal of impairment loss) on trade receivables	**2,863**	(93)
	Marketing expenses	**1,267**	629
	Professional fees	**792**	1,119
	Write-off of property, plant and equipment	**327**	1,251
	Insurance expenses	**309**	277
	Write-down of inventories	**62**	–
	Audit fees paid to		
	- Auditor of the Company	**194**	191
	- Other auditors	**67**	64
	Non-audit fees paid to		
	- Auditor of the Company	**49**	243
	- Other auditors	**–**	30

6. Staff costs

	Group 2018 $'000	Group 2017 $'000
Staff costs (including directors)		
Salaries, allowances and bonuses	**31,591**	28,996
Central Provident Fund and other retirement contribution plans	**2,307**	2,210
Share-based payment (share options)	**51**	68
Other personnel-related expenses	**3,343**	4,002
	37,292	35,276

Notes To The Financial Statements (continued)

6. Staff costs (continued)

Share option scheme

Under the Pan-United Share Option Scheme (Scheme 2002), share options are granted to eligible directors and employees of the Company, its subsidiaries and associates.

(i) The grantee has to be at least 21 years of age and is not an undischarged bankrupt and has not entered into a composition with its creditors.

(ii) The Scheme 2002 is administered by the Remuneration Committee, who shall determine at its own discretion, the number of shares over which the options are to be offered, taking into account criteria such as the rank, seniority, length of service, performance and potential for future contributions of the grantee and performance of the Group.

(iii) Options granted to executive directors and employees will have a life span of ten years whereas options granted to non-executive directors will have a life span of five years.

(iv) The exercise price of the options shall be equal to the average of the last dealt prices for the Company's shares for the three consecutive trading days immediately preceding the relevant date of grant.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2018		2017	
	No. of share options	**WAEP/ Adjusted WAEP ($)**	No. of share options	WAEP ($)
Outstanding at beginning of year	**12,401,400**	**0.67/0.43**	10,907,500	0.75
Adjustments made in conjunction with the rights issue	**–**	**–**	914,200	0.02
Granted during the year (Note a)	**1,995,000**	**0.27**	2,245,000	0.55
Exercised during the year (Note b)	**–**	**–**	(931,000)	0.61
Forfeited during the year	**(1,497,600)**	**0.78/0.50**	(734,300)	0.69
Outstanding at end of year (Note c)	**12,898,800**	**0.60/0.40**	12,401,400	0.67
Exercisable at end of year	**9,101,800**	**0.68/0.43**	8,047,200	0.74

Notes

(a) The weighted average fair value of options granted during the year was $0.06 (2017: $0.09).

(b) No options were exercised in 2018. The weighted average share price at the dates of exercise for the options exercised in 2017 was $0.61.

(c) The range of exercise prices for options outstanding at the end of the year was $0.27 to $0.58 (2017: $0.27 to $0.58) after adjustment pursuant to the de-merger/capital reduction. The weighted average remaining contractual life for these options is 6 years (2017: 6 years).

The fair value of share options, as at the date of grant, is estimated using a binomial model, taking into account the terms and conditions upon which the options are granted. The inputs to the binomial model used for the options granted are shown below:

	2018	2017
Dividend yield (%)	**2.96**	6.82
Expected volatility (%)	**33.10**	32.80
Risk-free interest rate (%)	**2.01**	1.46
Average expected life of option (years)	**4.44**	4.17
Share price ($) at grant date	**0.27**	0.55

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

7. Finance costs

	Group	
	2018	2017
	$'000	$'000
Interest expense on loans and borrowings	**3,947**	3,410
Bank charges	**476**	339
	4,423	3,749

8. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	2017
	$'000	$'000
Consolidated income statement		
Current income tax – continuing operations		
Current income taxation	**2,294**	1,788
Over provision in respect of previous years	**(475)**	(1,143)
Deferred income tax – continuing operations		
Origination and reversal of temporary differences	**529**	687
Over provision in respect of previous years	**(150)**	(173)
Provision for withholding tax on unremitted foreign dividend	**201**	–
Income tax attributable to continuing operations	**2,399**	1,159
Income tax attributable to discontinued operations (Note 9)	**478**	6,988
Income tax expense recognised in profit or loss	**2,877**	8,147

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	2017
	$'000	$'000
Profit before tax from continuing operations	**8,943**	7,719
Profit before tax from discontinued operations (Note 9)	**1,485**	24,726
Accounting profit before tax	**10,428**	32,445
Tax at the domestic rates applicable to profits in the countries where the Group operates	**1,626**	7,968
Adjustments		
Non-deductible expenses	**1,384**	2,429
Effect of partial tax exemption	**(342)**	(794)
Income not subject to taxation	**(118)**	(606)
Over provision in respect of previous years	**(625)**	(1,316)
Provision for withholding tax on undistributed earnings of foreign associate/ subsidiaries	**201**	954
Benefits from previously unrecognised tax losses	**(9)**	(193)
Share of results of associates	**111**	79
Deferred tax assets not recognised	**683**	19
Others	**(34)**	(393)
Income tax expense recognised in profit or loss	**2,877**	8,147

According to People's Republic of China Corporate Income Tax Law Implementing Regulation, Article 87 of the State Council, Changshu Changjiang International Port Co., Ltd (CCIP) is entitled to three years of full tax exemption followed by three years of 50% tax concession preferential corporate income tax starting from financial year 2012 and ending in financial year 2017. Tax rates for CCIP as at 31 December 2018 and 2017 are 25% and 12.5% respectively.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Notes To The Financial Statements (continued)

9. Discontinued operations and disposal group classified as held for sale

At the Extraordinary General Meeting held on 13 October 2017, the shareholders of the Company approved the de-merger exercise of the Ports Business, under Xinghua, as a separate entity. The de-merger exercise was completed on 7 February 2018 and Xinghua was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 February 2018.

In accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations, the results of the Ports Business in the financial year ended 31 December 2018 and its comparatives have been presented separately on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, as Discontinued operations.

The value of assets and liabilities of the Ports Business have been presented in the Balance Sheet as Assets of disposal group classified as held for sale and Liabilities directly associated with disposal group classified as held for sale, respectively. The reserves of the Ports Business have been presented as Reserves of disposal group classified as held for sale.

	Group	**Company**
	2017	2017
	$'000	$'000
Assets		
Property, plant and equipment	269,537	–
Investment in a subsidiary	–	102,000
Associates	5,427	–
Goodwill	21,843	–
Deferred tax assets	376	–
Cash and short-term deposits	17,918	–
Trade and other receivables	25,269	–
Prepayments	856	–
Inventories	208	–
Assets of disposal group classified as held for sale	341,434	102,000
Liabilities		
Bank loans	127,997	–
Payables and accruals	35,854	–
Deferred income	176	–
Income tax payable	1,218	–
Deferred tax liabilities	4,605	–
Deferred income	695	–
Liabilities directly associated with disposal group classified as held for sale	170,545	–
Net assets directly associated with disposal group classified as held for sale	170,889	102,000
Reserves		
Retained earnings	106,960	–
Statutory reserves	3,000	–
Foreign currency translation reserve	(2,434)	–
Premium paid on acquisition of non-controlling interest	(70,888)	–
Effect of share swap arrangement	276	
Reserves of disposal group classified as held for sale	36,914	–

Income statement disclosures

The results of the assets held for sale and discontinued operations for the year ended 31 December are as follows:

	Group	
	2018	2017
	$'000	$'000
Revenue	**7,754**	97,475
Other income	**10**	293
Expenses	**(5,888)**	(68,058)
Profit from operations	**1,876**	29,710
Finance costs	**(576)**	(7,409)
Share of results of associates	**185**	2,425
Profit before tax from discontinued operations	**1,485**	24,726
Taxation (Note 8)	**(478)**	(6,988)
Profit from discontinued operations, net of tax	**1,007**	17,738

Cash flow statement disclosures

The cash flows attributable to the assets held for sale and discontinued operations for the year ended 31 December are as follows:

	Group	
	2018	2017
	$'000	$'000
Operating	**5,840**	28,899
Investing	**(132)**	(1,247)
Financing	**(2,080)**	(22,955)
Net cash inflow	**3,628**	4,697

Earnings per share disclosures

Earnings per share from assets held for sale and discontinued operations attributable to equity holders of the Company (cents per share) are as follows:

	Group		
		31 December	1 January
	2018	2017	2017
Basic	**0.13**	2.04	1.28
Diluted	**0.13**	2.04	1.28

The basic and diluted earnings per share from assets held for sale and discontinued operations are calculated by dividing the profit from discontinued operations, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in the tables in Note 10.

10. Earnings per share

Basic earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares under the Scheme 2002 into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the year ended.

	Group	
	2018	2017
	$'000	$'000
Profit for the year attributable to equity holders of the Company	**6,950**	20,076
Less: Profit from discontinued operations, net of tax, attributable to equity holders of the Company	**(878)**	(14,288)
Profit from continuing operations, net of tax, attributable to equity holders of the Company used in the computation of basic earnings per share from continuing operations	**6,072**	5,788

	2018	2017
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	**700,886**	700,886
Effect of dilution on share options	**13**	261
Weighted average number of ordinary shares for diluted earnings per share computation	**700,899**	701,147

Notes To The Financial Statements (continued)

11. Property, plant and equipment

Group	Leasehold land $'000	Leasehold buildings $'000	Plant and machinery $'000	Other assets $'000	Construction-in-progress $'000	Total $'000
Cost						
At 1 January 2017	82,487	256,505	197,934	41,908	50,576	629,410
Additions	42	1,293	10,495	945	17,775	30,550
Disposals	–	(47)	(1,140)	(1,908)	–	(3,095)
Write-off	–	(150)	(3,678)	(107)	–	(3,935)
Reclassification	56	259	3,496	46	(3,857)	–
Attributable to disposal group classified as held for sale (Note 9)	(73,538)	(231,382)	(45,310)	(24,641)	(1,428)	(376,299)
Exchange differences	(1,022)	(3,476)	(2,006)	(2,555)	1,288	(7,771)
At 31 December 2017 and 1 January 2018	8,025	23,002	159,791	13,688	64,354	268,860
Additions	–	32	7,957	1,418	3,120	12,527
Disposals	–	(78)	(1,905)	(4,065)	–	(6,048)
Write-off	–	–	(1,267)	(12)	–	(1,279)
Reclassification	–	4,002	60,446	1,471	(65,919)	–
Exchange differences	(34)	(159)	(1,925)	(982)	1,378	(1,722)
At 31 December 2018	7,991	26,799	223,097	11,518	2,933	272,338
Accumulated depreciation						
At 1 January 2017	18,817	49,042	91,183	15,190	–	174,232
Depreciation charge for the year	1,764	5,783	13,555	3,309	–	24,411
Disposals	–	(51)	(1,020)	(1,353)	–	(2,424)
Write-off	–	(150)	(2,437)	(97)	–	(2,684)
Attributable to disposal group classified as held for sale (Note 9)	(16,665)	(48,981)	(29,930)	(11,186)	–	(106,762)
Exchange differences	(208)	(738)	(1,099)	(1,719)	–	(3,764)
At 31 December 2017 and 1 January 2018	3,708	4,905	70,252	4,144	–	83,009
Depreciation charge for the year	135	903	14,344	1,955	–	17,337
Disposals	–	(78)	(1,877)	(4,051)		(6,006)
Write-off	–	–	(940)	(12)	–	(952)
Exchange differences	(1)	(58)	(335)	(708)	–	(1,102)
At 31 December 2018	3,842	5,672	81,444	1,328	–	92,286
Net carrying amount						
At 1 January 2017	63,670	207,463	106,751	26,718	50,576	455,178
At 31 December 2017	4,317	18,097	89,539	9,544	64,354	185,851
At 31 December 2018	4,149	21,127	141,653	10,190	2,933	180,052

Company	Other assets $'000
Cost	
At 1 January 2017	823
Additions	20
Write-off	(2)
At 31 December 2017 and 1 January 2018	841
Additions	41
Disposal	(10)
At 31 December 2018	872
Accumulated depreciation	
At 1 January 2017	505
Depreciation charge for the year	65
At 31 December 2017 and 1 January 2018	570
Depreciation charge for the year	63
Disposal	(9)
At 31 December 2018	624
Net carrying amount	
As 1 January 2017	318
At 31 December 2017	271
At 31 December 2018	248

Plant and machinery include storage tanks, civil and structure work of silos. Other assets comprise mainly motor vehicles, office furniture and equipment.

Assets pledged as security

The Group's property, plant and equipment with a carrying amount of $64,224,000 (31 December 2017: $62,845,000, 1 January 2017: $254,627,000) are mortgaged to secure the Group's bank loans (Note 20).

12. Intangible assets

Group	Goodwill $'000	Developed technology $'000	Club memberships $'000	Total $'000
Cost				
At 1 January 2017	24,507	–	–	24,507
Additions				
Internal development	–	1,751	–	1,751
Reclassified from other investments	–	–	535	535
Disposal	–	–	(87)	(87)
Exchange differences	(319)	–	–	(319)
Attributable to disposal group classified as held for sale	(21,843)	–	–	(21,843)
At 31 December 2017 and 1 January 2018	2,345	1,751	448	4,544
Additions				
Internal development	–	811	–	811
Disposal	–	–	(16)	(16)
At 31 December 2018	2,345	2,562	432	5,339

Notes To The Financial Statements (continued)

12. Intangible assets (continued)

Group	Goodwill $'000	Developed technology $'000	Club memberships $'000	Total $'000
Accumulated amortisation and impairment				
At 1 January 2017	–	–	–	–
Amortisation	–	(165)	–	(165)
Impairment loss reclassified from other investments (Note 15)	–	–	(116)	(116)
Disposal	–	–	61	61
At 31 December 2017 and 1 January 2018	–	(165)	(55)	(220)
Amortisation	–	(234)	–	(234)
Disposal	–	–	3	3
At 31 December 2018	–	(399)	(52)	(451)
Net carrying amount				
At 1 January 2017	24,507	–	–	24,507
At 31 December 2017	2,345	1,586	393	4,324
At 31 December 2018	2,345	2,163	380	4,888

Company	Developed technology $'000	Club memberships $'000	Total $'000
Cost			
At 1 January 2017	–	–	–
Additions:			
Internal development	660	–	660
Reclassified from other investments	–	370	370
At 31 December 2017 and 1 January 2018	660	370	1,030
Disposal	(660)	–	(660)
At 31 December 2018	–	370	370
Accumulated amortisation			
At 1 January 2017	–	–	–
Amortisation	(29)	–	(29)
At 31 December 2017 and 1 January 2018	(29)	–	(29)
Amortisation	(26)	–	(26)
Disposal	55	–	55
At 31 December 2018	–	–	–
Net carrying amount			
At 1 January 2017	–	–	–
At 31 December 2017	631	370	1,001
At 31 December 2018	–	370	370

The Group's developed technology has an average remaining amortisation period of 3 to 10 years (31 December 2017: 4 to 9 years, 1 January 2017: Nil) as at the financial year ended 31 December 2018. The Company's developed technology had an average remaining amortisation period of 4 to 5 years as at the financial year ended 31 December 2017.

Goodwill amounting to $2,345,000 arose from the acquisition of equity interests in PT. Pacific Granitama.

Impairment testing of goodwill
The recoverable amount was determined based on value-in-use calculations using the cash flow projections from financial budgets approved by Management.

The pre-tax discount rates applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections are as follows:

	2018	31 December 2017	1 January 2017
Growth rates	**0 – 17% (b)**	0%	0 – 3% (a)
Pre-tax discount rate	**12%**	12%	12%

(a) 2017: 3% and 2018 onwards: 0%
(b) 2019: 17% and 2020 onwards: 0%*

* Growth rate of 2019 has been forecasted at 17% as the production volume is expected to increase with the installation of a new quarry machine in 2019 and revenue is projected to be held constant for 2020 onwards.

Key assumptions used in the value-in-use calculations
The calculations of value-in-use are most sensitive to the following assumptions:

Growth rates – the forecasted growth rates are based on Management's best estimate and do not exceed the long-term growth rates for the industry relevant to the cash-generating unit (CGU).

Pre-tax discount rate – Discount rate represents the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Sensitivity to changes in assumptions
Management has performed sensitivity tests on the respective growth rates and pre-tax discount rate and is of the view that no impairment charge is required for the financial year ended 31 December 2018.

13. Subsidiaries

	Company		
	2018 **$'000**	31 December 2017 $'000	1 January 2017 $'000
Unquoted equity shares, at cost	**10,052**	9,952	9,952
Allowance for impairment	–	(2,466)	(2,466)
	10,052	7,486	7,486
Amounts due from subsidiaries	**82,500**	73,563	172,633
	92,552	81,049	180,119

	Company	
	2018 **$'000**	2017 $'000
Movement in impairment account		
At 1 January	**(2,466)**	(2,466)
Write-back	**2,466**	–
At 31 December	**–**	(2,466)

The amounts due to subsidiaries are non-interest bearing, non-trade in nature, unsecured. Repayments are at the sole discretion of the respective subsidiaries and are to be settled in cash.

Impairment losses of $2,466,000 were recognised for two of its wholly-owned subsidiaries in the previous years. The group of companies held directly by one of these subsidiaries has been assessed as a single CGU in the Concrete and Cement business segment. In the financial year ended 31 December 2018, the Company assessed that the recoverable amounts are higher than the carrying amounts of the CGU/subsidiary. Hence, the write-back of impairment losses of $2,466,000 were recorded in the current financial year.

Notes To The Financial Statements (continued)

13. Subsidiaries (continued)

Details of the subsidiaries are as follows:

	Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding held by the Group		
			2018 **%**	31 December 2017 %	1 January 2017 %
	Pan-United Industries Pte. Ltd. (Singapore)	Trading and supply of refined petroleum products, ready-mix concrete and granite aggregate	100	100	100
(a)	Pan-United Concrete Pte. Ltd. (Singapore)	Manufacture and supply of ready-mix concrete and related products	100	100	100
(a)	Raffles Concrete Pte. Ltd. (Singapore)	Manufacture and supply of ready-mix concrete and related products	100	100	100
(a)	United Cement Pte. Ltd. (Singapore)	Cement silo operator, cement trading and distribution	100	100	100
(a)	Raffles Cement Pte. Ltd. (Singapore)	Cement silo operator, cement trading and distribution	49 (b)	49 (b)	49 (b)
(a)	Fico Pan-United Concrete Joint Stock Company (Vietnam)	Manufacture and supply of ready-mix concrete and related products	55 (e)	55 (e)	55 (e)
(a)	PT. Pan-United Concrete (Indonesia)	Manufacture and supply of ready-mix concrete and related products	100 (d)	100 (d)	100 (d)
(a)	Meridian Maplestar Sdn. Bhd. (Malaysia)	Manufacture and trading of basic building materials	100 (e)	100 (e)	100 (e)
(a)	Fortis Star Sdn. Bhd. (Malaysia)	Manufacture and supply of ready-mix concrete and related products	100 (e)	100 (e)	100 (e)
(a)	Pan-United Asphalt Pte. Ltd. (Singapore)	Production of asphalt, building and repairing of roadways	100	100	100
(a)	PT. Pacific Granitama (Indonesia)	Quarry operator	49 (b,e)	49 (b,e)	80 (e)
(a)	Blue Star Services Sdn. Bhd. (Malaysia)	Quarry operator	100 (e)	100 (e)	100 (e)
(a)	Pan-United Resources Pte. Ltd. (Singapore)	Investment holding and general trading	100	100	100
(a)	Pan-United Bulk Trade (2010) Pte. Ltd. (Singapore)	Investment holding and general trading	100	100	100

	Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding held by the Group		
			2018 **%**	31 December 2017 %	1 January 2017 %
(a)	Resources Development (2010) Pte. Ltd. (Singapore)	Investment holding and general trading	100	100	100
(a)	Cresco Development Pte. Ltd. (Singapore)	Investment holding and general trading	100	100	100
(a)	Salvus Development Pte. Ltd. (Singapore)	Investment holding and general trading	100	100	100
(a)	Pan-United International Pte. Ltd. (Singapore)	Investment holding	100	100	100
	Pan-United Investments Pte. Ltd. (Singapore)	Investment holding	100	100	100
	PanU Harmony Pte. Ltd. (Singapore)	Trading and provision of shipping services	100	100	100
	United Bulk Shipping Pte. Ltd. (Singapore)	Provision of shipping services	51	51	51
(a)	GoTruck Holdings Pte. Ltd. (Singapore)	Investment holding, information technology and computer service activities	97 (g)	–	–
	GoTruck Pte. Ltd. (Singapore)	Technology and computer service activities	97 (g)	–	–
	Pan-United Technologies Pte. Ltd. (Singapore)	Technology and computer service activities	100 (g)	–	–
	Pan-United Digital Solutions Pte. Ltd. (Singapore)	Investment holding, information technology and computer service activities	100 (g)	–	–
(a)	AiR Digital Solutions Pte. Ltd. (Singapore)	Software consultancy, information technology and computer service activities	100 (g)	–	–
(c)	Xinghua Port Holdings Ltd. (Singapore)	Investment holding	–	90 (f)	100 (f)
(a, c)	Singapore Changshu Development Company Pte. Ltd. (Singapore)	Investment holding	–	100 (f)	90 (f)
(a, c)	Changshu Xinghua Port Co., Ltd. (People's Republic of China)	Operation of a port and related services	–	86	86
(a, c)	Changshu Changjiang International Port Co., Ltd. (People's Republic of China)	Operation of a port and related services	–	77	77

Notes To The Financial Statements (continued)

13. Subsidiaries (continued)

(a) Held by subsidiaries.

(b) Although the Group owns less than half of the voting power of the entity, Management has determined that it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consequently, the Group consolidates this investment as a subsidiary of the Group.

(c) De-merged as a separate entity under Xinghua Port Holdings Ltd on 7 February 2018.

(d) Not considered significant to be audited as defined under Rule 718 of the listing manual of SGX-ST.

(e) Audited by member firms of EY Global for the year ended 31 December 2018.

(f) Movement in shareholding is an effect of share swap arrangement.

(g) Incorporated during the financial year ended 31 December 2018.

14. Associates

The Group's material investments in associates are summarised below:

	Group		
	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Changshu Westerlund Warehousing Co., Ltd	**–**	5,427	5,607
PT. Lanna Harita Indonesia	**3,078**	3,728	4,196
Attributable to disposal group classified as held for sale	**–**	(5,427)	–
Carrying amount of investments	**3,078**	3,728	9,803

Name of associates (Country of incorporation)	Principal activities	Percentage of equity interest		
		2018	31 December 2017	1 January 2017
		%	%	%
Changshu Westerlund Warehousing Co., Ltd (People's Republic of China)	Provision of services to receive, warehouse and distribute forestry products and other related products	**–**	25 (a)	25
Changshu Xinghua Transportation Co., Ltd (People's Republic of China)	Provision of logistic services	**–**	49 (a)	49
(b) PT. Lanna Harita Indonesia (Indonesia)	Coal mining	**10**	10	10

The associates are held by subsidiaries of the Group.

(a) These associates are held by subsidiaries of Xinghua Port Holdings Ltd and was de-merged on 7 February 2018.

(b) Although the Group holds less than 20% of the ownership interest and voting control of PT. Lanna Harita Indonesia (PT. Lanna), the Group has the ability to exercise significant influence through both its shareholding and its nominated director's participation on the PT. Lanna Board of Directors.

The associate is audited by EY Jakarta, Indonesia.

The summarised financial information of PT. Lanna Harita Indonesia, not adjusted for proportion of ownership interest held by the Group, is as follows:

Summarised balance sheet

	2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Current assets	**34,104**	49,183	31,984
Non-current assets	**29,038**	25,497	38,656
Total assets	**63,142**	74,680	70,640
Current liabilities	**23,581**	29,683	15,851
Non-current liabilities	**7,283**	6,690	8,163
Total liabilities	**30,864**	36,373	24,014
Net assets	**32,278**	38,307	46,626
Proportion of the Group's ownership	**10%**	10%	10%
Group's share of net assets	**3,228**	3,831	4,663
Other adjustments	**(150)**	(103)	(467)
Carrying amount of the investment	**3,078**	3,728	4,196

Summarised statement of comprehensive income

	2018 $'000	2017 $'000
Revenue	**138,070**	192,368
Profit after tax, representing total comprehensvie income	**18,930**	30,840

15. Other investments

	Group			Company		
	2018 $'000	31 December 2017 $'000	1 January 2017 $'000	2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Held for trading investments						
Quoted equity shares	**–**	–	14	**–**	–	–
Available-for-sale investments						
At cost						
Unquoted equity investments	**–**	3,904	4,060	**–**	458	614
Others	**–**	–	535	**–**	–	370
Fair value through other comprehensive income						
Unquoted equity investments	**3,904**	–	–	**458**	–	–
	3,904	3,904	4,595	**458**	458	984
Less: Allowance for impairment	**(3,497)**	(3,497)	(3,613)	**(54)**	(54)	(54)
Total other investments	**407**	407	996	**404**	404	930

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Movement in allowance account				
At 1 January	**3,497**	3,613	**54**	54
Reclassified to intangible assets (Note 12)	**–**	(116)	**–**	–
Reclassified to associates	**–**	–	**–**	–
Disposal	**–**	–	**–**	–
Written off	**–**	–	**–**	–
At 31 December	**3,497**	3,497	**54**	54

Notes To The Financial Statements (continued)

16. Inventories

	Group		
		31 December	1 January
	2018	2017	2017
	$'000	$'000	$'000
Balance sheet			
Raw materials	**12,860**	10,247	6,420
Finished goods	**6,004**	20,237	8,979
Consumables	**3,429**	3,878	4,794
	22,293	34,362	20,193

	Group	
	2018	2017
	$'000	$'000
Income statement		
Inventories recognised as an expense in raw materials, subcontract costs and other direct costs	**658,439**	436,215
Inclusive of the following charge:		
- Write-down of inventories	**62**	–

17. Trade and other receivables

	Group			Company		
		31 December	1 January		31 December	1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Trade and other receivables (current)						
Trade receivables	**144,562**	135,873	138,877	**–**	–	–
Amount due from an associate	**–**	–	2,834	**–**	–	–
Amounts due from subsidiaries	**–**	–	–	**22,287**	3,007	2,803
Refundable deposits	**1,753**	1,576	1,621	**–**	–	–
Sundry receivables	**3,074**	1,558	2,920	**200**	74	9
Total trade and other receivables (current)	**149,389**	139,007	146,252	**22,487**	3,081	2,812
Trade and other receivables (non-current)						
Trade receivables	**410**	–	–	**–**	–	–
Amount due from a sub-contractor	**255**	633	933	**–**	–	–
Total trade and other receivables (non- current)	**665**	633	933	**–**	–	–
Total trade and other receivables	**150,054**	139,640	147,185	**22,487**	3,081	2,812
Add: Cash and short-term deposits (Note 19)	**47,894**	63,133	72,662	**27,681**	38,637	43,270
Total financial assets carried at amortised cost	**197,948**	202,773	219,847	**50,168**	41,718	46,082

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

At the end of the reporting period, trade receivables arising from export sales amounting to $7,468,000 (31 December 2017: $10,531,000, 1 January 2017: Nil) are arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based. Trade receivables from customers that are insured by trade credit insurance underwritten by a reputable insurers amount to $66,671,000 at the end of the reporting period.

Related party balances
Amount due from an associate is trade in nature, unsecured, non-interest bearing and is to be settled in cash.

Amounts due from subsidiaries are non-interest bearing and are repayable upon demand. These amounts are non-trade in nature, unsecured and are to be settled in cash.

The carrying values of these amounts approximate their fair values due to their short-term nature.

Receivables that are past due but not impaired
The Group has trade receivables amounting to $82,495,000 as at 31 December 2017 and $68,251,000 as at 1 January 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	Group	
	31 December 2017 $'000	1 January 2017 $'000
Trade receivables past due but not impaired:		
1 to 30 days	51,661	43,666
31 to 60 days	21,086	19,946
61 to 90 days	4,332	2,710
91 to 120 days	1,425	893
More than 120 days	3,991	1,036
	82,495	68,251

Receivables that are impaired
The Group's trade receivables that are impaired at the end of reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	31 December 2017 $'000	1 January 2017 $'000
Trade receivables – nominal amounts	3,829	4,064
Less: Allowance for impairment	(3,829)	(4,064)
	–	–

	Group
	2017 $'000
Movement in allowance account	
At 1 January	4,064
Reversal for the year	(93)
Written off	(142)
At 31 December	3,829

Trade receivables that are individually determined to be impaired at the end of reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments.

Expected credit losses
The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follows:

	Group
	2018 $'000
Movement in allowance account	
At 1 January	**3,829**
Charge for the year	**4,026**
Written off	**(2,722)**
At 31 December	**5,133**

Notes To The Financial Statements (continued)

18. Other assets

Other assets relate to import quota as a right to import from traditional sources which is regulated by Building and Construction Authority (BCA). BCA has an Importers' Licensing Scheme which applies to any person in the business of importing sand and granite. This scheme regulates importers of essential construction materials to ensure a secure and reliable supply in Singapore of acceptable quality. Under this scheme, the Group is required to import certain prescribed percentage from non-traditional sources before it is allowed to import the remaining from traditional sources.

19. Cash and short-term deposits

	Group			Company		
	2018	31 December 2017	1 January 2017	**2018**	31 December 2017	1 January 2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Cash at banks and on hand	**47,597**	80,755	39,946	**27,681**	38,637	13,258
Short-term deposits	**297**	296	32,716	**–**	–	30,012
Attributable to disposal group classified as held for sale	**–**	(17,918)	–	**–**	–	–
Cash and short-term deposits	**47,894**	63,133	72,662	**27,681**	38,637	43,270

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. Cash at banks earned interest at the average of 0.10% to 1.57% (31 December 2017: 0.20% to 0.57%, 1 January 2017: 0.20%) per annum. The effective interest rate of short-term deposits ranged from 0.50% to 6.80% (31 December 2017: 0.90% to 6.50%, 1 January 2017: 0.30% to 1.49%) per annum.

20. Loans and borrowings

	Group			Company		
	2018	31 December 2017	1 January 2017	**2018**	31 December 2017	1 January 2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Current						
Secured (Note a)	**21,086**	14,289	20,381	**–**	–	–
Unsecured (Note b)	**41,188**	27,270	32,000	**–**	–	2,000
	62,274	41,559	52,381	**–**	–	2,000
Non-current						
Secured (Note c)	**14,603**	16,342	142,936	**–**	–	–
Unsecured (Note d)	**49,589**	65,000	103,000	**19,787**	20,000	78,000
	64,192	81,342	245,936	**19,787**	20,000	78,000
Total loans and borrowings	**126,466**	122,901	298,317	**19,787**	20,000	80,000

The secured bank loans are backed by mortgages over certain assets of foreign subsidiaries.

(a) Details of the current secured bank loans are as follows:

(i) $14,899,000 (31 December 2017: $14,289,000, 1 January 2017: $6,133,000) is denominated in Vietnamese Dong and bears interest of 6.23% to 6.58% (31 December 2017: 5.00% to 6.50%, 1 January 2017: $6.50% to 7.00%) per annum.

(ii) $6,187,000 is denominated in Malaysia Ringgit and bears interest from 5.28% to 5.32% (31 December 2017: Nil, 1 January 2017: Nil) per annum.

(iii) As at 1 January 2017, $14,248,000 was denominated in Renminbi at the interest rate of 4.90% to 5.39% per annum.

(b) Details of the current unsecured bank loans are as follows:

(i) $36,000,000 (31 December 2017: $25,000,000, 1 January 2017: 30,000,000) is denominated in Singapore dollars and bears interest of 1.94% to 2.55% (31 December 2017: 1.51% to 1.73%, 1 January 2017: 1.41% to 1.86%) per annum.

(ii) $5,188,000 (31 December 2017: $2,270,000, 1 January 2017: Nil) is denominated in Malaysia Ringgit at the interest rate of 5.14% (31 December 2017: 4.85%, 1 January 2017: Nil) per annum.

(iii) As at 1 January 2017, $2,000,000 was denominated in Singapore dollars at interest, comprising fixed and variable components, of 1.68% to 2.08% per annum. The variable component was hedged using an interest rate swap (Note 25).

(c) Details of the non-current secured bank loans are as follows:

(i) $14,603,000 (31 December 2017: $16,302,000, 1 January 2017: $5,474,000) is denominated in Malaysia Ringgit and bear interest of 5.32% (31 December 2017: 5.13%, 1 January 2017: 5.26%) per annum. The loan is repayable between 2020 and 2021.

(ii) As at 31 December 2017, $40,000 was denominated in Vietnamese Dong at interest at 7.50% per annum. The loan is repayable in 2020 but has been fully settled as at 31 December 2018.

(iii) As at 1 January 2017, $137,462,000 was denominated in Renminbi at interest rate of 4.90% to 5.39% per annum.

(d) Details of the non-current unsecured bank loans are as follows:

(i) $50,000,000 (31 December 2017: $65,000,000, 1 January 2017: $103,000,000) is denominated in Singapore dollars and bears interest, comprising fixed and variable components, of 2.81% to 3.20% (31 December 2017: 1.90% to 2.50%, 1 January 2017: 1.68% to 2.08%) per annum.

The variable component was partially hedged using an interest rate swap which had matured on 13 September 2018 (Note 25). The loans are repayable between 2020 and 2022. The Group has paid one-time upfront fees to secure the bank loans and this amount will be amortised throughout the loan contract period. As at 31 December 2018, the outstanding upfront fees were $411,000 and were netted off against non-current unsecured bank loans and the net amount was $49,589,000.

A reconciliation of liabilities arising from financing activities is as follows:

	31 December 2017	Cash Flows	Non-cash changes			31 December 2018
			Amortisation of upfront fees	Foreign exchange movement	Other	
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans						
Current	41,559	(9,074)	–	(90)	29,879	62,274
Non-current	81,342	12,915	(211)	25	(29,879)	64,192
Total	122,901	3,841	(211)	(65)	–	126,466

	1 January 2017	Cash Flows	Non-cash changes			31 December 2017
			Reclassified as part of disposal group	Foreign exchange movement	Other	
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans						
Current	52,381	(8,978)	(14,760)	(912)	13,828	41,559
Non-current	245,936	(35,801)	(113,237)	(1,728)	(13,828)	81,342
Total	298,317	(44,779)	(127,997)	(2,640)	–	122,901

The 'Other' column relates to reclassification of non-current to current portion of bank loans due to passage of time.

Notes To The Financial Statements (continued)

21. Payables and accruals and other liability

	Group			Company		
	2018	31 December 2017	1 January 2017	**2018**	31 December 2017	1 January 2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Payables and accruals (current)						
Trade payables	**61,686**	85,086	76,195	**–**	–	–
Other payables	**4,744**	4,465	20,211	**159**	208	530
Accruals	**10,012**	9,374	12,809	**1,329**	1,158	1,423
Amount due to subsidiaries	**–**	–	–	**16,272**	–	–
Total payables and accruals	**76,442**	98,925	109,215	**17,760**	1,366	1,953
Other liability (non-current)						
Advances from non-controlling interests	**539**	537	580	**–**	–	–
Less: Sales tax payables	**(603)**	–	–	**(77)**	–	–
Total financial liabilities carried at amortised costs	**76,378**	99,462	109,795	**17,683**	1,366	1,953

Trade and other payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days' terms while other payables have an average term of six months.

Other liability

Other liability relates mainly to advances from non-controlling interests, which are denominated in Vietnamese Dong, unsecured, non-trade related and bear interest of 7.10% (31 December 2017: 7.10%, 1 January 2017: 6.70% to 7.10%) per annum.

22. Deferred income

	Group		
	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Income recognisable within 12 months			
Voyages-in-progress	**–**	–	380
Coal trading	**5,244**	5,361	–
Lease income	**–**	–	178
	5,244	5,361	558
Income recognisable thereafter			
Lease income	**–**	–	893
	5,244	5,361	1,451

23. Provisions

	Group Land Reinstatement Cost	
	2018	2017
	$'000	$'000
At 1 January	**4,433**	4,983
Recognised during the year	**1,235**	547
Utilised	**(341)**	(796)
Unused amounts reversed	**(215)**	(301)
At 31 December	**5,112**	4,433
Current	**1,163**	1,284
Non-current	**3,949**	3,149
At 31 December	**5,112**	4,433

Provision for land reinstatement cost is determined based on past experience. The cost is capitalised as part of plant and machinery in property, plant and equipment and amortised over the remaining leasehold periods.

24. Deferred tax

Deferred income tax as at 31 December relates to the following:

(a) Deferred tax liabilities

	Group	
	2018	2017
	$'000	$'000
At 1 January	**6,991**	10,605
Origination and reversal of temporary differences	**512**	37
Provision for withholding tax on undistributed earnings of foreign associate/subsidiaries	**201**	954
Less: Attributable to disposal group classified as held for sale (Note 9)	–	(4,605)
At 31 December	**7,704**	6,991

	Group		
		31 December	1 January
	2018	2017	2017
	$'000	$'000	$'000
The deferred tax liabilities principally arise as a result of			
Excess of net book value over tax written down value of property, plant and equipment	**7,503**	6,991	6,569
Provision for withholding tax on undistributed earnings of foreign associate/subsidiaries	**201**	4,605	4,036
Less: Attributable to disposal group classified as held for sale (Note 9)	**–**	(4,605)	–
	7,704	6,991	10,605

(b) Deferred tax assets

	Group	
	2018	2017
	$'000	$'000
At 1 January	**475**	831
Origination and reversal of temporary differences	**204**	20
Less: Attributable to disposal group classified as held for sale (Note 9)	–	(376)
At 31 December	**679**	475

	Group		
		31 December	1 January
	2018	2017	2017
	$'000	$'000	$'000
The deferred tax assets principally arise as a result of			
Provisions	**679**	475	382
Unutilised tax losses	**–**	376	449
Less: Attributable to disposal group classified as held for sale (Note 9)	**–**	(376)	–
	679	475	831

Unrecognised tax losses

At the end of the reporting period, the Group has unutilised business losses of approximately $3,597,000 (31 December 2017: $1,247,000, 1 January 2017: Nil) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Amongst the total tax losses, $3,109,000 of tax losses can only be carried forward for a maximum of 7 consecutive years of assessment (YA) commencing in YA2019.

Tax consequences of proposed dividends

There are no income tax consequences (2017: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 36).

Notes To The Financial Statements (continued)

25. Derivatives

	Group and Company								
	2018			31 December 2017			1 January 2017		
	Contract/ Notional amount $'000	**Asset $'000**	**Liability $'000**	Contract/ Notional amount $'000	Asset $'000	Liability $'000	Contract/ Notional amount $'000	Asset $'000	Liability $'000
Forward currency contracts	**64,652**	**423**	**–**	41,250	–	1,433	59,906	2,879	–
Interest rate swap	**–**	**–**	**–**	50,000	–	194	70,000	–	368
	64,652	**423**	**–**	91,250	–	1,627	129,906	2,879	368

Forward currency contracts are used to hedge foreign currency risk arising from the Group's purchases denominated in United States Dollar (USD).

The interest rate swap received floating interest equal to 3 months SOR, and paid a fixed rate of interest of 1.79% per annum and had matured on 13 September 2018. The accounting policy for hedge accounting is set out in Note 2.21.

26. Share capital and treasury shares

	Group and Company			
	2018		2017	
	No. of shares '000	**$'000**	No. of shares '000	$'000
(a) Share capital				
Issued and fully paid				
At 1 January	**701,996**	**151,799**	561,819	92,052
Shares issued pursuant to rights issue	**–**	**–**	140,177	59,747
Distribution in specie	**–**	**(139,154)**	–	–
At 31 December	**701,996**	**12,645**	701,996	151,799

The Ports business, under Xinghua was de-merged as a separate entity on 7 February 2018 and was listed on The Stock Exchange of Hong Kong Limited on 12 February 2018. The de-merger was effected through a capital reduction of the Company and a distribution in specie of all the shares in Xinghua held by the Company to its shareholders. Following the capital reduction of $139,154,000, the share capital of the Company was reduced to $12,645,000.

In the financial year ended 2017, the Company undertook a renounceable non-underwritten rights issue at an issue price of $0.43 for each rights share, on the basis of one rights share for every four existing shares held by shareholders as at 22 June 2017.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

Under the Scheme 2002, share options are granted to eligible employees and directors of the Company, its subsidiaries and associates.

	Group and Company			
	2018		2017	
	No. of shares '000	**$'000**	No. of shares '000	$'000
(b) Treasury shares				
At 1 January	**(1,110)**	**(957)**	(2,041)	(1,759)
Reissued for cash				
- On exercise of employee share options	**–**	**–**	931	573
- Transferred from share option reserve (Note 28a)	**–**	**–**	–	87
- Loss on reissuance of treasury shares (Note 28b)	**–**	**–**	–	142
At 31 December	**(1,110)**	**(957)**	(1,110)	(957)

Treasury shares relate to ordinary shares of the Company held by the Company.

The Company reissued 931,000 treasury shares pursuant to Scheme 2002 in the financial year ended 2017.

27. Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People's Republic of China (PRC), the subsidiary is required to make appropriation to a Statutory Reserve Fund (SRF).

The SRF of the Group comprises the reserve fund, enterprise expansion fund and staff bonus and welfare fund.

The reserve fund is not free for distribution as dividends but it can be used to offset losses or be capitalised as capital. The enterprise expansion fund can be used to expand an enterprise's production and operations and the staff bonus and welfare fund can be used for rewards and collective welfare for employees. The appropriation to the staff bonus and welfare fund is charged to the profit or loss as it is a liability due to employees.

28. Other reserves

	Group			Company		
	2018	31 December 2017	1 January 2017	**2018**	31 December 2017	1 January 2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Employee share option reserve	**1,131**	1,080	1,099	**1,131**	1,080	1,099
Gain on reissuance of treasury shares	**251**	251	393	**251**	251	393
Hedging reserve	**423**	(1,510)	2,511	**423**	(1,510)	2,511
Premium paid on acquisition of non-controlling interests, reclassified to reserves of disposal group classified as held for sale in 2017	**–**	–	(70,888)	**–**	–	–
Distribution in specie	**37,154**	–	–	**37,154**	–	–
	38,959	(179)	(66,885)	**38,959**	(179)	4,003

(a) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 6). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

	Group and Company	
	2018	2017
	$'000	$'000
At 1 January	**1,080**	1,099
Cost of share-based payment (share options)	**51**	68
Reissuance of treasury shares pursuant to share option scheme (Note 26b)	**–**	(87)
At 31 December	**1,131**	1,080

(b) Gain on reissuance of treasury shares

This represents the gain arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

	Group and Company	
	2018	2017
	$'000	$'000
At 1 January	**251**	393
Loss on reissuance of treasury shares (Note 26b)	**–**	(142)
At 31 December	**251**	251

Notes To The Financial Statements (continued)

29. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2018	2017
	$'000	$'000
At 1 January	**(697)**	(6,766)
Effect on adoption of SFRS(I)	**–**	6,766
Net effect of exchange differences arising from translation of financial statements of foreign operations	**(889)**	(2,593)
Attributable to disposal group classified as held for sale	**–**	1,896
At 31 December	**(1,586)**	(697)

30. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the financial year but not recognised in the financial statements is as follows:

	Group		
		31 December	1 January
	2018	2017	2017
	$'000	$'000	$'000
Capital commitments in respect of plant and machinery	**134**	750	3,663

(b) Operating lease commitments – as lessee

As at the end of the reporting period, future minimum rentals payable under non-cancellable leases are as follows:

	Group		
		31 December	1 January
	2018	2017	2017
	$'000	$'000	$'000
Not later than one year	**6,838**	6,322	9,794
Later than one year but not later than five years	**10,465**	8,375	9,861
Later than five years	**4,654**	5,469	6,639
	21,957	20,166	26,294

The Group's operating lease commitments are mainly for leasehold land. The annual rent payable on these leases is subject to the market rates prevailing at time of revision.

Operating lease payments recognised in the consolidated income statement during the year ended 31 December 2018 amount to $11,239,000 (2017: $12,080,000).

(c) Operating lease commitments – as lessor

There were no future minimum lease payments to be received under non-cancellable leases in relation to the continuing operations of the Group as at the end of the reporting period.

	Group		
		31 December	1 January
	2018	2017	2017
	$'000	$'000	$'000
Not later than one year	**–**	–	5,357
Later than one year but not later than five years	**–**	–	5,445
	–	–	10,802

The amounts as at 1 January 2017 are in relation to leases on the property of the de-merged Ports business.

31. Related party disclosures

An entity or individual is considered a related party of the group for the purposes of the financial statements if: (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the group or vice versa; or (ii) it is subject to common control or common significant influence.

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the financial year at terms agreed between the parties:

	Group	
	2018	2017
	$'000	$'000
Transactions with associates		
Discharging fee income	**2,131**	23,853
Wharfage fee income	**590**	6,917
Warehousing service income	**418**	4,875
Management income	**9**	110
Miscellaneous income	**21**	821

Balances with related companies as at 31 December 2018, 31 December 2017 and 1 January 2017 are set out in Notes 17 and 21.

(b) Compensation of key management personnel

	Group	
	2018	2017
	$'000	$'000
Short-term employee benefits	**3,029**	3,298
Central Provident Fund contributions	**69**	72
	3,098	3,370
Comprise amounts paid to:		
Directors of the Company	**713**	1,308
Other key management personnel	**2,385**	2,062
	3,098	3,370

The remuneration of key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

Directors' and key management personnel's interests in employee share option plan

During the financial year, 450,000 share options were granted to non-executive directors at an exercise price of $0.27 each and exercisable between 16 November 2019 and 15 November 2023 under Scheme 2002.

Notes To The Financial Statements (continued)

32. Fair value of financial instruments

Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
Level 2 – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly, and
Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There have been no transfers between Level 1 to Level 3 fair value measurements as at 31 December 2018, 31 December 2017 and 1 January 2017.

(a) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value with quoted prices in active markets for identical instruments (Level 1):

		Group		
	Note	**2018** **$'000**	31 December 2017 '000	1 January 2017 $'000
Financial assets				
Held for trading investments				
Quoted equity instruments	15	**–**	–	14
		–	–	14

The following table shows an analysis of financial instruments carried at fair value using significant other observable inputs (Level 2):

		Group and Company		
	Note	**2018** **$'000**	31 December 2017 '000	1 January 2017 $'000
Financial assets				
Derivatives				
Forward currency contracts	25	**423**	–	2,879
		423	–	2,879
Financial liabilities				
Derivatives				
Forward currency contracts	25	**–**	1,433	–
Interest rate swap	25	**–**	194	368
		–	1,627	368

Determination of fair value

Forward currency contracts and interest rate swap contracts (Note 25) are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

The following table shows an analysis of financial instruments carried at fair value using significant unobservable inputs (Level 3):

		Group		
	Note	**2018 $'000**	31 December 2017 '000	1 January 2017 $'000
Financial assets				
Held through FVOCI				
Unquoted equity instruments	15	**407**	–	–
		407	–	–

		Company		
	Note	**2018 $'000**	31 December 2017 '000	1 January 2017 $'000
Financial assets				
Held through FVOCI				
Unquoted equity instruments	15	**404**	–	–
		404	–	–

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair values of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group						Company					
	2018 $'000		31 December 2017 $'000		1 January 2017 $'000		**2018 $'000**		31 December 2017 $'000		1 January 2017 $'000	
	Carrying amount	**Fair value**	Carrying amount	Fair value	Carrying amount	Fair value	**Carrying amount**	**Fair value**	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets												
Available-for-sale investments	**–**	**–**	407	–	996	–	**–**	**–**	404	–	930	–
Amounts due from subsidiaries	**–**	**–**	–	–	–	–	**–**	**–**	73,563	–	172,633	–

(i) Available-for-sale investments carried at cost (Note 15)

In the previous years, fair value information had not been disclosed for the Group's investments in unquoted equity instruments and other available-for-sale investments that are carried at cost because their fair values cannot be measured reliably. These unquoted equity instruments represent ordinary shares in companies that were not quoted on any market and did not have any comparable industry peers that are listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques was significant. The Group did not intend to dispose these investments in the foreseeable future.

(ii) Amounts due from subsidiaries carried at cost (Note 13)

In the previous years, fair value information had not been disclosed on amounts due from subsidiaries as these amounts are unsecured and were repayable only when the cash flows of the borrower permits. Accordingly, the fair value of these advances was not determinable as the timing of the future cash flows arising from these advances cannot be estimated reliably.

(c) Financial instruments whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of other investments (as at financial year ended 31 December 2018), cash and short-term deposits, trade and other receivables, payables and accruals (excluding sales tax payable), loans and borrowings and other liability approximate to their fair value, either due to the short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the financial year.

Notes To The Financial Statements (continued)

33. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivative financial instruments, comprise loans and borrowings, cash and short-term deposits. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost efficient.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from the Group's investment portfolio and long term debt obligations. The Group does not use derivative financial instruments to hedge its investment portfolio. Surplus funds are placed with reputable banks and/or invested in floating rate notes.

The Group's policy is to manage interest cost using a mix of fixed and floating rate borrowings. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps.

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit before tax (through the impact on interest expense on floating rate loans and borrowings).

	Group	
	Increase/ decrease in basis points	**Effect on profit before tax $'000**
Year ended 31 December 2018		
Singapore Dollar	**+100**	**(860)**
Vietnamese Dong	**+100**	**(149)**
Malaysia Ringgit	**+100**	**(260)**
Singapore Dollar	**-100**	**860**
Vietnamese Dong	**-100**	**149**
Malaysia Ringgit	**-100**	**260**
Year ended 31 December 2017		
Singapore Dollar	+100	(900)
Vietnamese Dong	+100	(143)
Malaysia Ringgit	+100	(186)
Singapore Dollar	-100	900
Vietnamese Dong	-100	143
Malaysia Ringgit	-100	186

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, USD, Malaysia Ringgit (MYR), Indonesian Rupiah (IDR) and Vietnamese Dong (VND).

The Group also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (mainly in USD) amount to $16,574,000 (2017: $16,228,000).

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rate (against the respective functional currencies of the Group entities), with all other variables held constant.

		Group	
		Profit before tax	
		2018	2017
		$'000	$'000
USD/SGD	– strengthened 3% (2017: 3%)	**+497**	+487
	– weakened 3% (2017: 3%)	**-497**	-487

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and short-term deposits and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that major customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments when they fall due after a prolonged period, or when the debtor is in significant financial difficulties or liquidation.

The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:
- Internal credit evaluation
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:
- There is significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments after a prolonged period, or when the debtor is in significant financial difficulties or liquidation. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Notes To The Financial Statements (continued)

33. Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

Exposure to credit risk

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the respective balance sheets.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 17.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring its trade receivables by business segments on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group					
	2018		31 December 2017		1 January 2017	
	$'000	**% of total**	$'000	% of total	$'000	% of total
By business segments						
Concrete and Cement	**143,963**	**99**	130,937	96	119,130	86
Trading and Shipping	**1,009**	**1**	4,936	4	358	–
Ports	**–**	**–**	–	–	19,389	14
	144,972	**100**	135,873	100	138,877	100

Financial assets that are neither past due nor impaired

At the end of the reporting period, there is no significant concentration of credit risk. The good credit history of these customers reduces the risk to the Group to an acceptable level. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade and other receivables) and Note 15 (Other investments).

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The allowance for impairment as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region:

31 December 2018	**Current**	**1 to 30 days past due**	**31 to 60 days past due**	**61 to 90 days past due**	**91 to 120 days past due**	**More than 120 days past due**	**Total**
Singapore							
Gross carrying amount	**40,742**	**36,575**	**23,522**	**3,296**	**630**	**4,713**	**109,478**
Allowance for impairment	**–**	**(13)**	**(17)**	**(119)**	**(132)**	**(3,692)**	**(3,973)**
	40,742	**36,562**	**23,505**	**3,177**	**498**	**1,021**	**105,505**
Other geographical areas							
Gross carrying amount	**24,513**	**5,003**	**3,203**	**2,134**	**1,933**	**3,841**	**40,627**
Allowance for impairment	**–**	**(9)**	**(94)**	**(20)**	**(59)**	**(978)**	**(1,160)**
	24,513	**4,994**	**3,109**	**2,114**	**1,874**	**2,863**	**39,467**

Information regarding allowance for impairment movement of trade receivables are disclosed in Note 17.

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities to meet normal operating commitments and to close market positions at short notice. At the end of the financial year, 48% (31 December 2017: 34%, 1 January 2017: 18%) of the Group's loans and borrowings (Note 20) will mature in less than one year.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Group			
31 December 2018	**Less than 1 year $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial assets				
Other investments	**–**	**–**	**407**	**407**
Trade and other receivables	**149,389**	**665**	**–**	**150,054**
Cash and short-term deposits	**47,894**	**–**	**–**	**47,894**
Total undiscounted financial assets	**197,283**	**665**	**407**	**198,355**
Financial liabilities				
Payables and accruals and other liability	**75,839**	**–**	**539**	**76,378**
Loans and borrowings	**64,642**	**69,044**	**–**	**133,686**
Total undiscounted financial liabilities	**140,481**	**69,044**	**539**	**210,064**
Total net undiscounted financial assets/(liabilities)	**56,802**	**(68,379)**	**(132)**	**(11,709)**
31 December 2017				
Financial assets				
Other investments	–	–	407	407
Trade and other receivables	139,007	633	–	139,640
Cash and short-term deposits	63,133	–	–	63,133
Total undiscounted financial assets	202,140	633	407	203,180
Financial liabilities				
Payables and accruals and other liability	98,925	–	537	99,462
Loans and borrowings	43,943	84,302	–	128,245
Total undiscounted financial liabilities	142,868	84,302	537	227,707
Total net undiscounted financial assets/(liabilities)	59,272	(83,669)	(130)	(24,527)
1 January 2017				
Financial assets				
Other investments	–	–	996	996
Trade and other receivables	146,252	933	–	147,185
Cash and short-term deposits	72,662	–	–	72,662
Total undiscounted financial assets	218,914	933	996	220,843
Financial liabilities				
Payables and accruals and other liability	109,215	–	580	109,795
Loans and borrowings	63,099	233,659	25,747	322,505
Total undiscounted financial liabilities	172,314	233,659	26,327	432,300
Total net undiscounted financial assets/(liabilities)	46,600	(232,726)	(25,331)	(211,457)

Notes To The Financial Statements (continued)

33. Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

	Company			
31 December 2018	Less than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial assets				
Trade and other receivables	**22,487**	**–**	**–**	**22,487**
Cash and short-term deposits	**27,681**	**–**	**–**	**27,681**
Total undiscounted financial assets	**50,168**	**–**	**–**	**50,168**
Financial liabilities				
Payables and accruals	**17,683**	**–**	**–**	**17,683**
Loans and borrowings	**563**	**20,971**	**–**	**21,534**
Total undiscounted financial liabilities	**18,246**	**20,971**	**–**	**39,217**
Total net undiscounted financial assets/(liabilities)	**31,922**	**(20,971)**	**–**	**10,951**
31 December 2017				
Financial assets				
Trade and other receivables	3,081	–	–	3,081
Cash and short-term deposits	38,637	–	–	38,637
Amounts due from subsidiaries	–	–	104,956	104,956
Total undiscounted financial assets	41,718	–	104,956	146,674
Financial liabilities				
Payables and accruals	1,366	–	–	1,366
Loans and borrowings	500	21,364	–	21,864
Amounts due to subsidiaries	–	–	31,393	31,393
Total undiscounted financial liabilities	1,866	21,364	31,393	54,623
Total net undiscounted financial assets/(liabilities)	39,852	(21,364)	73,563	92,051
1 January 2017				
Financial assets				
Trade and other receivables	2,812	–	–	2,812
Cash and short-term deposits	43,270	–	–	43,270
Amounts due from subsidiaries	–	–	198,816	198,816
Total undiscounted financial assets	46,082	–	198,816	244,898
Financial liabilities				
Payables and accruals	1,953	–	–	1,953
Loans and borrowings	4,214	83,959	–	88,173
Amounts due to subsidiaries	–	–	26,183	26,183
Total undiscounted financial liabilities	6,167	83,959	26,183	116,309
Total net undiscounted financial assets/(liabilities)	39,915	(83,959)	172,633	128,589

34. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using net gearing ratio, which is calculated as net debt (borrowings less cash and short-term deposits) divided by total equity.

	Group	
	2018	2017
	$'000	$'000
Net debt	**78,572**	169,847
Total equity	**198,324**	367,909
Net gearing ratio	**0.40**	0.46

The Group did not breach any gearing covenants during the financial years ended 31 December 2018 and 31 December 2017.

35. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(a) The Concrete and Cement segment supplies mainly cement, granite, ready-mix concrete and refined petroleum products to the construction and marine industries of Singapore, Vietnam, Malaysia and Indonesia.

(b) The Trading and Shipping segment relates to coal trading, bulk shipping and agency operations.

(c) Others relate to companies which are of investment holding nature.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segments results, assets and liabilities include items directly attributable to a segment.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(a) Business segments (continuing operations)

	Concrete and Cement $'000	Trading and Shipping $'000	Others $'000	Eliminations $'000	Group $'000
31 December 2018					
Revenue					
External sales	545,710	317,820	–	–	863,530
Inter-segment sales	–	651	–	(651)	–
Total revenue	545,710	318,471	–	(651)	863,530
Results					
Segment results	30,260	3,952	(5,995)	–	28,217
Interest income	221	–	130	–	351
Depreciation expenses	(17,078)	–	(259)	–	(17,337)
Amortisation of intangible assets	(59)	–	(175)	–	(234)
Interest expense	(3,318)	–	(629)	–	(3,947)
Share of results of associates	–	–	1,893	–	1,893
Profit/(loss) before income tax	10,026	3,952	(5,035)	–	8,943
Income tax expense	(1,530)	(267)	(602)	–	(2,399)
Profit/(loss) for the year	8,496	3,685	(5,637)	–	6,544
Attributable to					
Equity holders of the Company	8,525	3,184	(5,637)	–	6,072
Non-controlling interests	(29)	501	–	–	472
	8,496	3,685	(5,637)	–	6,544
Balance Sheet					
Investments in associates	–	–	3,078	–	3,078
Additions to non-current assets	12,371	5	962	–	13,338
Segment assets	376,788	3,410	41,654	–	421,852
Segment liabilities	189,660	12,310	21,558	–	223,528

Notes To The Financial Statements (continued)

35. Segment information (continued)

(a) Business segments (continuing operations) (continued)

	Concrete and Cement $'000	Trading and Shipping $'000	Others $'000	Group $'000
31 December 2017				
Revenue				
External sales	527,674	101,647	–	629,321
Total revenue	527,674	101,647	–	629,321
Results				
Segment results	24,800	2,478	(5,120)	22,158
Interest income	291	–	82	373
Depreciation expenses	(14,128)	–	(193)	(14,321)
Amortisation of intangible assets	(136)	–	(29)	(165)
Interest expense	(1,695)	–	(1,715)	(3,410)
Share of results of associates	–	–	3,084	3,084
Profit/(loss) before income tax	9,132	2,478	(3,891)	7,719
Income tax expense	(174)	(287)	(698)	(1,159)
Profit/(loss) for the year	8,958	2,191	(4,589)	6,560
Attributable to				
Equity holders of the Company	8,743	1,634	(4,589)	5,788
Non-controlling interests	215	557	–	772
	8,958	2,191	(4,589)	6,560
Balance Sheet				
Investments in associates	–	–	3,728	3,728
Additions to non-current assets	27,852	–	680	28,532
Segment assets	363,727	23,041	52,435	439,203
Segment liabilities	190,201	28,442	23,540	242,183

	Concrete and Cement $'000	Trading and Shipping $'000	Others $'000	Group $'000
1 January 2017				
Balance Sheet				
Investments in associates	–	–	4,196	4,196
Additions to non-current assets	38,498	–	1,522	40,020
Segment assets	330,950	3,095	58,662	392,707
Segment liabilities	156,168	881	81,087	238,136

(b) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets		
	2018	2017	**2018**	31 December 2017	1 January 2017
	$'000	$'000	**$'000**	$'000	$'000
Singapore	**668,226**	627,844	**109,465**	112,137	113,880
China	**297,090**	57,833	**–**	–	308,141
Others	**114,950**	145,815	**80,304**	83,281	70,227
Eliminations	**(216,736)**	(202,171)	**–**	–	–
Total	**863,530**	629,321	**189,769**	195,418	492,248

Non-current assets presented above comprise property, plant and equipment, investments in associates, other investments, other receivables, intangible assets and deferred tax assets as presented in the consolidated balance sheet.

36. Dividends

	Group and Company	
	2018	2017
	$'000	$'000
Declared and paid during the year		
Dividends on ordinary shares		
Final exempt (one-tier) dividend for year ended 31 December 2017: 0.80 cents (year ended 31 December 2016: 2.75 cents) per share	**5,607**	15,414
Interim exempt (one-tier) dividend for year ended 31 December 2018: Nil (year ended 31 December 2017: 0.50 cents) per share	**–**	3,505
	5,607	18,919
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting		
Final exempt (one-tier) dividend for year ended 31 December 2018: 0.80 cents (year ended 31 December 2017: 0.80 cents) per share	**5,607**	5,607
Dividend per share (in cents)	**0.80**	1.30

37. Authorisation of financial statements

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 22 March 2019.

STATISTICS OF SHAREHOLDINGS

As at 8 March 2019

Class of Shares - Ordinary shares fully paid with equal voting rights*

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	10	0.09	222	-
100 - 1,000	3,122	28.32	3,032,333	0.43
1,001 - 10,000	5,855	53.11	25,551,020	3.65
10,001 - 1,000,000	2,010	18.23	90,930,493	12.97
1,000,001 and above	27	0.25	581,371,757	82.95
	11,024	100.00	700,885,825	100.00

	No. of shares in which shareholder has an interest			
Substantial shareholders	**Direct Interest**	**%****	**Deemed Interest**	**%****
1. Ng Han Whatt	6,750,000	0.96	420,700,037	60.02
2. Ng Bee Bee	-	-	408,375,002	58.27
3. Jane Kimberly Ng Bee Kiok	-	-	408,809,502	58.33

Notes
The deemed interests of Mr Ng Han Whatt, Ms Ng Bee Bee and Ms Jane Kimberly Ng Bee Kiok include their shareholdings held as joint shareholders and the full shareholdings of BOS Trustee Limited held in nominees.

Based on information available to the Company as at 8 March 2019, approximately 25.82% of the issued ordinary shares of the Company are held by the public and, therefore, Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

		No. of shares	%**
1.	Citibank Nominees Singapore Pte Ltd	212,605,425	30.33
2.	Ng Han Whatt, Jane Kimberly Ng Bee Kiok and Ng Bee Bee	191,250,000	27.29
3.	Phillip Securities Pte Ltd	50,600,111	7.22
4.	Patrick Ng Bee Soon	34,962,037	4.99
5.	DBS Nominees (Private) Limited	28,468,584	4.06
6.	HSBC (Singapore) Nominees Pte Ltd	15,208,999	2.17
7.	Ng Han Whatt	6,750,000	0.96
8.	McGregor Annabel Margaret	5,250,000	0.75
9.	UOB Kay Hian Private Limited	4,246,550	0.61
10.	DB Nominees (Singapore) Pte Ltd	3,638,500	0.52
11.	Lee Cheong Seng	2,500,000	0.36
12.	Kor Tor Khoon	2,333,800	0.33
13.	United Overseas Bank Nominees (Private) Limited	2,319,860	0.33
14.	OCBC Nominees Singapore Private Limited	2,093,155	0.30
15.	OCBC Securities Private Limited	1,985,225	0.28
16.	Lee Boon Wah	1,850,000	0.26
17.	Phua Bah Lee	1,831,250	0.26
18.	Ch'ng Jit Koon	1,810,000	0.26
19.	DBS Vickers Securities (Singapore) Pte Ltd	1,688,750	0.24
20.	Tan Wai See	1,589,500	0.23
		572,981,746	81.75

* Ordinary shares purchased and held as treasury shares by the Company will have no voting rights. As at 8 March 2019, the Company has 1,110,000 shares held as treasury shares and this represents approximately 0.16% against the total number of issued shares excluding treasury shares as at that date. The Company has no subsidiary holdings.

** The percentage is calculated based on the number of issued ordinary shares of the Company as at 8 March 2019, excluding 1,110,000 shares held as treasury shares as at that date.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 27th Annual General Meeting of Pan-United Corporation Ltd. (Company) will be held at Auditorium, Level 6, JEM Office Tower, 52 Jurong Gateway Road, Singapore 608550, on Monday, 29 April 2019 at 2.30 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018, together with the Auditor's Report thereon. **Resolution 1**

2. To declare a final dividend of $0.008 per ordinary share (one-tier tax exempt) for the financial year ended 31 December 2018. **Resolution 2**

3. To re-elect Mr Soh Ee Beng, a director who will retire in accordance with Regulation 88 of the Constitution of the Company (Constitution) and who, being eligible, has offered himself for re-election. **Resolution 3**
   [See Explanatory Note 1(a)]

4. To re-elect the following directors who will retire by rotation in accordance with Regulation 89 of the Constitution and who, being eligible, have offered themselves for re-election.
   4.1 Ms Ng Bee Bee **Resolution 4**
   4.2 Mr Tay Siew Choon **Resolution 5**
   [See Explanatory Note 1(b)]

5. To approve the payment of directors' fees of $472,055 for the financial year ending 31 December 2019 (2018: $435,890). **Resolution 6**

6. To re-appoint Ernst & Young LLP as the auditor of the Company for the financial year ending 31 December 2019 and to authorise the directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions with or without any modifications:

7. "That authority be and is hereby given, pursuant to Section 161 of the Singapore Companies Act, Chapter 50 (the Companies Act) and Rule 806 of the listing manual (the Listing Manual) of Singapore Exchange Securities Trading Limited (the SGX-ST), to the directors of the Company to: **Resolution 8**

   a i issue shares in the capital of the Company (Shares) whether by way of rights, bonus, or otherwise; and/or

   ii make or grant offers, agreements or options (collectively, Instruments) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and

   b (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the directors while this Resolution was in force,

   provided that:

   A the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of any Instruments made or granted pursuant to this Resolution) does not exceed 50 per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph B below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of any Instruments made or granted pursuant to this Resolution) does not exceed 10 per centum (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph B below);

Notice Of Annual General Meeting (continued)

B (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph A above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

i new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

ii any subsequent bonus issue, consolidation or subdivision of Shares;

C in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being; and

D (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company (Annual General Meeting) or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier."

[See Explanatory Note 2]

8. "That:

a for the purposes of the Companies Act, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary Shares not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of: **Resolution 9**

i market purchase(s) (each a Market Purchase) on the SGX-ST; and/or

ii off-market purchase(s) (each an Off-Market Purchase) in accordance with any equal access scheme(s) as may be determined or formulated by the directors of the Company, as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the Share Buyback Mandate);

b the authority conferred on the directors of the Company pursuant to the Share Buyback Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

i the date on which the next Annual General Meeting is held or required by law to be held;

ii the date on which the share buybacks by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

iii the date on which the authority contained in the Share Buyback Mandate is revoked or varied by the Company in a general meeting;

c in this Resolution:

"Average Closing Market Price" means the average of the closing market prices of a Share over the last five (5) Trading Days on which transactions in the Shares were recorded, preceding the day of the Market Purchase (which is deemed to be adjusted for any corporate action that occurs after such five (5)-Trading Day period);

"day of making of the offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the Trading Day on which there were trades in the Shares immediately preceding the day of making of the offer pursuant to the Off-Market Purchase;

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding,

i in the case of a Market Purchase, 105 per centum (105%) of the Average Closing Market Price; and

ii in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per centum (120%) of the Highest Last Dealt Price;

"Maximum Limit" means that number of issued Shares representing 5 per centum (5%) of the total number of issued Shares in the Company as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date); and

"Trading Day" means a day on which the Shares are traded on the SGX-ST; and

d the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution."

[See Explanatory Note 3]

ANY OTHER BUSINESS

9. To transact any other business that may be transacted at an Annual General Meeting.

By Order of the Board

Cho Form Po
Company Secretary

Singapore
5 April 2019

Notice Of Annual General Meeting (continued)

Explanatory Notes

1. The Board of Directors, in consultation with the Nominating Committee, recommends to members the re-election of Mr Soh Ee Beng, Ms Ng Bee Bee and Mr Tay Siew Choon as directors of the Company:

   (a) Mr Soh Ee Beng was appointed as an Independent Director of the Company on 17 December 2018. Regulation 88 of the Constitution provides that a person appointed by the directors shall hold office until the next AGM and shall be eligible for re-election.

   Mr Soh Ee Beng (Independent Director) has consented to his re-election as a director of the Company. If re-elected, he will remain as a member of the Audit Committee. Mr Soh is considered independent for the purposes of Rule 704(8) of the Listing Manual.

   (b) Regulation 89 of the Constitution provides that every director shall retire from office at least once every three (3) years. A retiring director shall be eligible for re-election.

   Ms Ng Bee Bee (Director & Chief Executive Officer) has consented to her re-election as a director of the Company. If re-elected, she will remain as a member of the Executive Committee.

   Mr Tay Siew Choon (Independent Director) has consented to his re-election as a director of the Company. If re-elected, he will remain as Chairman of the Remuneration Committee, a member of the Audit Committee and Nominating Committee. Mr Tay is considered independent for the purposes of Rule 704(8) of the Listing Manual.

2. Resolution 8, if passed, will empower the directors of the Company, from the date of the passing of Resolution 8 to the date of the next Annual General Meeting to issue Shares and/or to make or grant Instruments that might require Shares to be issued, and to issue Shares in pursuance of such Instruments, up to a limit of 50 per centum (50%) of the total number of issued Shares, excluding treasury shares and subsidiary holdings, with a sub-limit of 10 per centum (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) for issues made other than on a pro rata basis to shareholders, calculated as described in Resolution 8.

   Although the Constitution and the Listing Manual enable the Company to seek a mandate to permit its directors to issue Shares up to a limit of 50 per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) if made on a pro rata basis to shareholders, and up to a sub-limit of 20 per centum (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) for issues made other than on a pro rata basis to shareholders, the Company is nonetheless only seeking a sub-limit of 10 per centum (10%) for issues made other than on a pro rata basis to shareholders. The directors believe that the lower limit sought for the issuance of Shares made other than on a pro rata basis to shareholders is adequate for the time being as it sufficiently addresses the Company's present need to maintain flexibility while taking into account shareholders' concerns against dilution. The directors will review this limit annually.

3. Resolution 9, if passed, is to renew the Share Buyback Mandate that will empower the directors of the Company to exercise all powers of the Company to purchase or otherwise acquire issued and fully paid ordinary Shares on the terms and subject to the conditions of Resolution 9. Please refer to the letter to Shareholders dated 5 April 2019 for details.

Notes

1. A member of the Company entitled to attend and vote at the Annual General Meeting, and who is not a Relevant Intermediary, is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. Where more than one (1) proxy is appointed, the number of Shares to be represented by each proxy must be stated.

   A member of the Company who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member, and the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   A proxy need not be a member of the Company.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. The Proxy Form must be deposited at the Company's registered office at 7 Temasek Boulevard, #16-01 Suntec Tower One, Singapore 038987, not less than 72 hours before the time for holding the Annual General Meeting. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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Pan-United Corporation Ltd
(Company Registration No. 199106524G)

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