SHAPING
SMART CITIES

Annual Report 2017

60 YEARS OF BUSINESS EXCELLENCE
1958 2018

CONTENTS

Concrete from PanU is continuously shaping the skyline of Singapore.
Our projects in the CBD include Altez, Skysuites @ Anson, Carlton City Hotel, Oasis Hotel Downtown, Tanjong Pagar Centre, OUE Downtown, V on Shenton, Marina One, Marina Bay Financial Centre and the Marina Coastal Expressway.

ABOUT PAN-UNITED

Concrete innovation company Pan-United Corporation Ltd ("PanU") is a Singapore-based multinational corporation with operations in four Asian countries. We are a global leader in concrete technologies harnessing innovation and cutting-edge technology to develop high-specification, sustainable concrete solutions.

PanU is Singapore's largest supplier of ready mixed concrete and cement, with a growing footprint in Indonesia, Malaysia and Vietnam, where we are also the largest concrete supplier in Ho Chi Minh City.

Supported by a total workforce in excess of 1,200 people, PanU has earned high regard as the trusted brand for the consistent delivery of quality products and excellent customer service.

On the Cover
PanU's excellent customer care is underpinned by our human touch. In addition, we continue to embrace digital transformation to create new possibilites in the concrete and logistics space.

SHAPING **SMART CITIES**

Our mission is to shape smart cities for tomorrow with our concrete.
Our vision is to become a technology company in the concrete and logistics space.

We will achieve these goals as a global leader in concrete technologies, driving logistics for seamless business connectivity, and by always putting our customers at the heart of everything we do.

Excellent customer service has been our hallmark for the last 60 years and is in the PanU DNA.

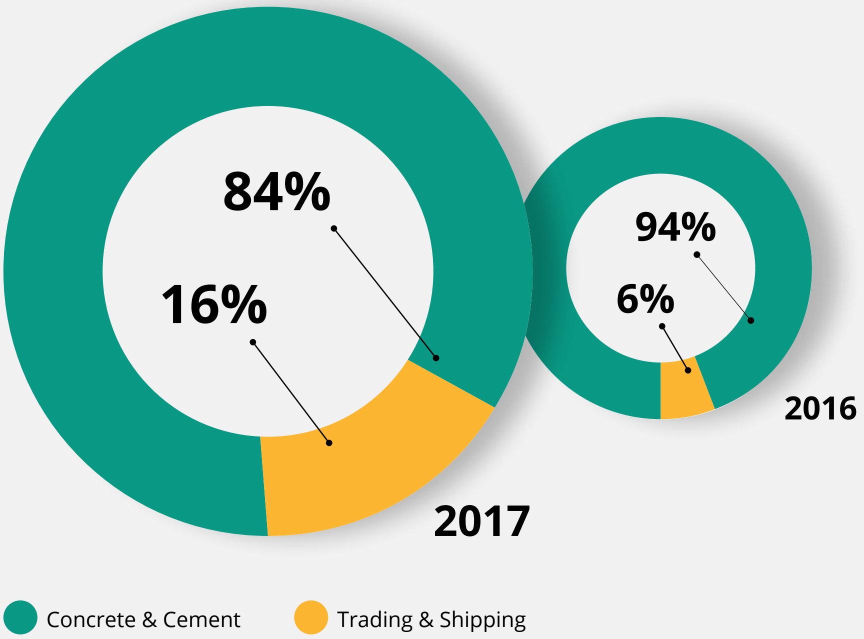
GROUP FINANCIAL SUMMARY

	2017 $'000	2016 $'000	Increase/ (decrease) %
Financial Results			
Continuing operations			
Revenue	629,321	612,321	3
EBITDA	22,158	25,215	(12)
Profit before taxation	7,719	9,947	(22)
Profit after taxation	6,560	8,190	(20)
Profit attributable to equity holders of the Company (PATMI)	5,788	6,645	(13)
Discontinued operations			
Profit after taxation	17,738	10,226	73
Profit attributable to equity holders of the Company (PATMI)	14,288	7,154	100
Total			
Profit after taxation	24,298	18,416	32
Profit attributable to equity holders of the Company (PATMI)	20,076	13,799	45
Financial Position			
Shareholders' funds	328,894	273,687	20
Non-controlling interests	39,015	36,959	6
Total equity	367,909	310,646	18
Total assets	780,637	739,515	6
Total liabilities	412,728	428,869	(4)
Per share data			
Basic earnings (in cents) (note 1)			
From continuing operations	0.83	1.19	(30)
Total attributable to equity holders of the Company	2.86	2.47	16
Diluted earnings (in cents) (note 2)			
From continuing operations	0.83	1.19	(30)
Total attributable to equity holders of the Company	2.86	2.47	16
Net asset value as at 31 December (in cents)	46.90	48.90	(4)
Return on shareholders' funds (note 3)	6.7%	5.0%	34
Return on property, plant and equipment (note 3)	5.3%	3.9%	36
Net gearing ratio	0.46	0.73	(37)

Notes
1. The calculation for basic earnings per share is based on 700,885,825 (2016: 559,777,660) weighted average number of shares in issue during the year.
2 . The calculation for diluted earnings per share is based on 701,146,756 (2016: 559,796,727) 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.

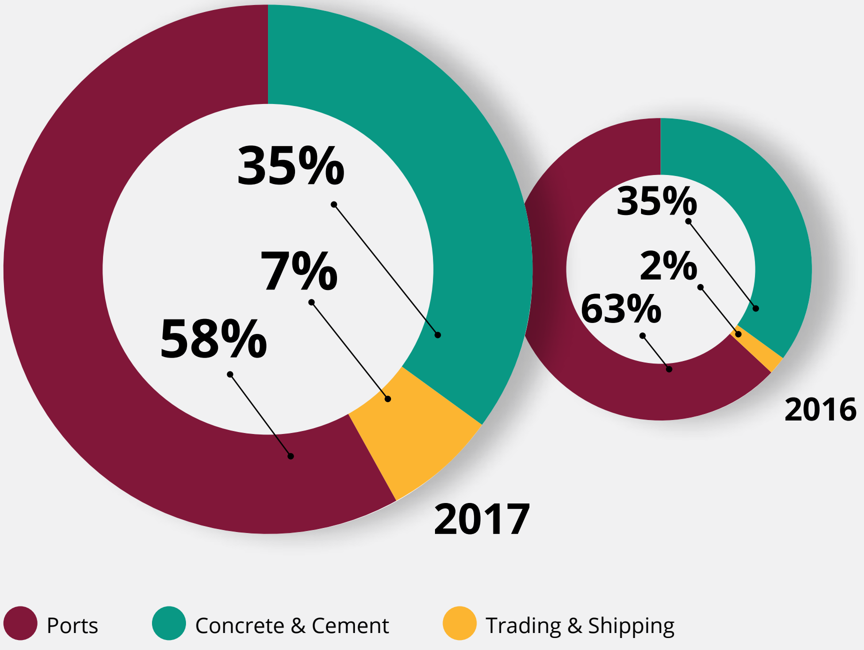
SEGMENTAL INFORMATION

Revenue From Continuing Operations



Revenue ($'m)	2017	2016
Concrete & Cement	**527.67**	577.64
Trading & Shipping	**101.65**	34.68
Total - Continuing operations	**629.32**	612.32
Discontinued operations	**97.48**	100.36

Profit After Tax & Non-Controlling Interests
(excluding tug & barge and others)



Profit After Tax & Non-Controlling Interests ($'m)	2017	2016
Concrete & Cement	**8.74**	9.81
Trading & Shipping	**1.63**	0.58
Ports	**14.29**	17.47
Tug & Barge	**-**	(10.31)
Others	**(4.58)**	(3.75)
Total	**20.08**	13.80

CORPORATE STRUCTURE

PAN-UNITED CORPORATION LTD

Concrete & Cement

Pan-United Industries Pte Ltd

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

Trading & Shipping

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

Discontinued Operations
De-merged on 7 February 2018

Ports

- Xinghua Port Holdings Ltd **90%**
- Singapore Changshu Development Company Pte Ltd **100%**
- Changshu Xinghua Port Co., Ltd **95%**
  - Changshu Changjiang International Port Co., Ltd **90%**
  - Changshu Xinghua Transportation Co., Ltd **49%**
  - Changshu Westerlund Warehousing Co., Ltd **25%**

CHAIRMAN’S MESSAGE

Dear Shareholder

2017 was a momentous year for Pan-United (“PanU” or the “Group”). We embarked on one of the most significant transactions in our Company’s history. This was for PanU to de-merge our Ports business which we had nurtured steadily, with determination and discipline, from its inception in 1997. Under Xinghua Port Holdings Ltd (“Xinghua”), the business was successfully listed on the Main Board of the Stock Exchange of Hong Kong on 12 February 2018 (Hong Kong Stock Code: 1990).

I am pleased to share that the Group registered a profit after tax and minority interests (PATMI) of $20.1 million as compared to $13.8 million in the previous financial year. If not for the one-off de-merger expenses incurred in FY2017 and losses from the tug & barge business in FY2016, the Group would have achieved a higher PATMI of $24.5 million in FY2017 compared to $24.1 million in the previous FY.

Going forward, we uphold that same attitude of perseverance and resilience ingrained in our PanU culture. This is essential for PanU to grow into the next phase of transformation where we sharpen our focus on the Concrete & Cement (C&C) business.

“We uphold that same attitude of perseverance and resilience ingrained in our PanU culture to grow into the next phase of transformation where we sharpen our focus on the Concrete & Cement business.”

PanU Group Founder Ng Kar Cheong (left) after sounding the gong with Xinghua Executive Chairman Patrick Ng at the listing of Xinghua in Hong Kong.

CHAIRMAN'S MESSAGE

The National Cancer Centre Singapore
PanU is the main ready mixed concrete provider to the new National Cancer Centre Singapore (NCCS) building. The concrete to be supplied by PanU includes special concrete for the radiation-shielding bunker walls at its proton therapy facility. (Artist's impression by courtesy of NCSS)

> "We have resolved to become a technology company in the concrete and logistics space... we have the potential to reshape our industry and achieve greater goals for PanU."

Next phase of transformation

We have resolved to become a technology company in the concrete and logistics space. This direction was set in motion back in 2012 when we invested heavily in research & development (R&D) and digital technology to drive our operations.

Today, PanU's Innovation Centre and Command Centre are among the world's best. They ensure the continued development of highly specialised concrete solutions, often in collaboration with strategic customers, and operational excellence in our product delivery.

PanU's product innovations have been cited as a success story in pervasive innovation, with the potential to spur other homegrown companies to embrace technological innovations just as we have. As a team, our work demonstrates our collective hard work, passion and drive to build PanU into a global force. We know that we have the potential to reshape our industry and achieve greater goals for PanU.

Outlook & Prospects

Following the de-merger of our Ports business, it becomes all the more imperative for PanU to continue deepening our capabilities in innovation and to deliver customised concrete solutions, while ensuring long-term value for our shareholders.

Notably, the prolonged malaise in construction has only strengthened our resolve to leverage on our domain strength in digitalisation, which is key to scaling up for overseas expansion. The Group expects a boost in demand for large volumes of specialised concrete products, both in Singapore and our markets in the South-east Asian region.

The Singapore Budget 2018 provides for higher infrastructure and public spending of $20.0 billion. This is more than the Building and Construction Authority's forecast of $16.0 billion to $19.0 billion of public sector construction demand. The Government has also set aside $5.0 billion for the Rail Infrastructure Fund.

More hospitals will be built. New satellite towns are being developed in Jurong, Punggol and Tengah.

CHAIRMAN'S MESSAGE

Other mega projects that will add to the strong pipeline of major construction projects in the next decade. They include Changi Airport Terminal 5, MRT lines such as the Cross Island and Thomson Lines, and Tuas mega port.

The focus on developmental infrastructure will positively channel into PanU's core strength in servicing mega scale projects. We have expanded our R&D facilities to pursue more product development. Taking this course has enabled us to create specialised solutions such as radiation-shielding concrete and flexible concrete.

We foresee a growing market for high-specification concrete solutions to meet the exacting downstream demands of the public sector and private developers alike. While Singapore expands as the core market and test bed for our products, our other major thrust of expansion continues apace in overseas markets.

We remain disciplined in cost management and are always identifying ways to stay nimble, positioning the Group for sustainable growth in increasingly challenging environments.

Proposed Dividend

The Board has recommended a final ordinary dividend per share of 0.80 Singapore cents for FY2017. With the interim dividend of 0.50 Singapore cents already paid in September 2017, the Board has recommended a total ordinary dividend per share of 1.30 Singapore cents for FY2017. The final dividend, if approved at the forthcoming Annual General Meeting, will be paid on 18 May 2018.

Acknowledgements

On behalf of the Board, I would like to thank all shareholders for your trust and confidence in us, and for seeing us through yet another eventful period in our history. 2017 was a year of transformation for PanU. As we grew stronger and gained new experiences, our shareholders have stood by us through it all.

The DUO Singapore
This aesthetically impressive mixed use development project stands at the border of Singapore's Central Business District. It used a wide range of specialised PanU products including self-compacting concrete and green concrete.

To our valued customers, partners and business associates, we are grateful for your strong support which is ever critical to our success.

I would like to express my sincere gratitude to my fellow Board directors for their invaluable counsel and advice over the past year. We are indebted to Mr Phua Bah Lee, who will be retiring from the Board in April 2018, for his tireless contributions to the Group since 1993. These include key roles as the Chairman of two Xinghua subsidiaries - Singapore Changshu Development Company till July 2017, and Changshu Xinghua Port till January 2018.

To the entire PanU family of employees, we are appreciative of your hard work, resilience and passion to bring the Group to greater heights. These noble qualities have enabled PanU to grow and maintain our strong brand. It is your open-mindedness and willingness to embrace change that has helped to set us apart from our peers. Significantly, we believe that our unique family culture is the vital formwork that will help us shape a solid, sustainable future for our employees.

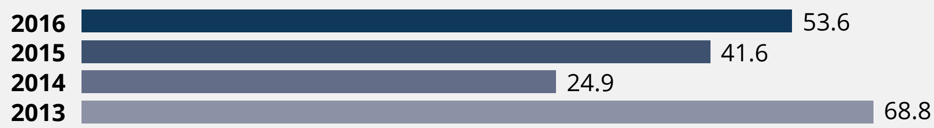
Ch'ng Jit Koon
Chairman

OTHER FINANCIAL INFORMATION

Net cash flows generated from operating activities ($'m)

2017

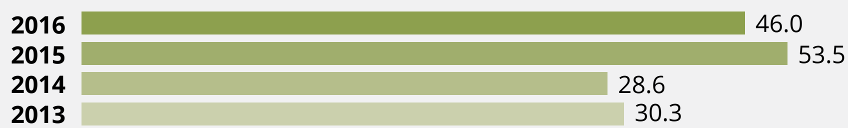
38.1



Capital expenditure ($'m)

2017

30.0



Dividend payout ($'m)

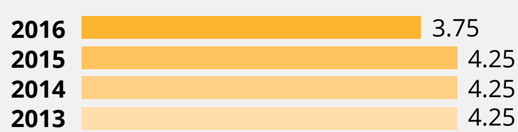
2017

9.1

Total dividends per share (cents)

2017

1.30



FINANCIAL CALENDAR

31 DEC 2017
Financial Year End

23 FEB 2018
Announcement of 2017 results

26 APR 2018
Annual General Meeting

MAY 2018
Announcement of 2018 Q1 results

18 MAY 2018
Payment of final dividend

JUL 2018
Announcement of 2018 H1/Q2 results

NOV 2018
Announcement of 2018 Q3 results

CORPORATE INFORMATION

Board of Directors

Chairman
Ch'ng Jit Koon

Deputy Chairman
Patrick Ng Bee Soon*

Chief Executive Officer
Ng Bee Bee

*Pursuant to the de-merger of Xinghua Port Holdings Ltd, Mr Ng has 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.

Independent Directors
Cecil Vivian Richard Wong
Phua Bah Lee
Tay Siew Choon

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 is 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* is 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 de-merger of Xinghua Port Holdings Ltd, Mr Ng has 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 is the CEO of Pan-United Corporation Ltd since March 2011.

She was previously the Executive Director from January 2004 to February 2011. She sits on the boards of several subsidiaries in the Group. Ms Ng is 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.

BOARD OF DIRECTORS

Cecil Vivian Richard Wong
Independent Director

Mr Cecil Wong is 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 and is a member of the Institute of Singapore Chartered Accountants.

Phua Bah Lee
Independent Director

Mr Phua Bah Lee is an Independent Director of Pan-United Corporation Ltd since November 1993.

Mr Phua was in the Singapore Parliament for two decades - as a Member of Parliament for the Tampines Constituency from 1968 to 1988; as Parliamentary Secretary in the Ministry of Communications from 1968 to 1971; and as Senior Parliamentary Secretary in the Ministry of Defence from 1972 to 1988. Mr Phua is a director of Metro Holdings Ltd and Singapura Finance Ltd.

Mr Phua holds a Bachelor of Commerce degree from Nanyang University, Singapore (now Nanyang Technological University).

Tay Siew Choon
Independent Director

Mr Tay Siew Choon is an Independent Director of Pan-United Corporation Ltd since February 2005.

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).

PERFORMANCE REVIEW

CONCRETE & CEMENT

PanU has fully embraced digital technology across our value chain. We develop differentiated concrete offerings that meet new and unprecedented requirements in the ever-changing infrastructure landscape. We have also streamlined our business operations by digitalising work processes.

The Woodlands Health Campus, Singapore
The smart campus will open in phases from 2022. It integrates an acute care hospital, community hospital and nursing home. (Artist's impression by courtesy of Woodlands Health Campus)

Landmark 81 (middle) will be the tallest skyscraper in Vietnam when completed in 2019. Our team customised a solution for this feat using a combination of self-compacting concrete, early-strength concrete and temperature-controlled concrete.

Bedok North MRT station
PanU is providing various types of specialised concrete products to build the new MRT Downtown line.

CONCRETE & CEMENT (C&C)

Singapore

The Building and Construction Authority has estimated total construction demand in 2017 at $24.5 billion. This is lower than originally expected due to the rescheduling of several major public-sector infrastructure projects such as the North-South Corridor. Longer preparation times were cited to implement these large-scale and complex projects. Despite the shortfall, the public sector continued to lead demand at $15.5 billion. The private sector accounted for $9.0 billion of demand.

The construction industry sank to its lowest in the first half of 2017. The market for ready mixed concrete (RMC) remained keenly competitive. We gritted our teeth as prices were driven to new lows before stabilising and showing signs of a turnaround at the tail end of 2017. Meanwhile, demand and prices for cement fluctuated throughout the year. The softer prices, coupled with the lower construction demand, compressed revenues to a total of $527.7 million in 2017. Correspondingly, the division posted a PATMI of $8.7 million, 11% lower than in 2016.

Several major public sector projects were secured in 2017. Among them are to provide concrete products including the highest-specification flexible concrete for taxiways and aircraft parking stands at Changi Airport. The radiation-shielding bunker walls of the proton therapy room in the new National Cancer Centre Singapore building, which is expected to open in early 2022, will be built with special PanU concrete.

Mattar MRT station
PanU's wide range of specialised products includes Shotcrete, a fast-setting concrete usually used for shoring vast tunnels to build underground locations such as the Mattar MRT station (above).

Other new projects that will use PanU concrete in large-scale volumes include:

- Infrastructure projects such as Changi Water Reclamation works, Outram Community Hospital, Woodlands Health Campus and Novena Health City
- HDB projects such as Bidadari estate, Defu City and Bedok Food City
- JTC projects such as Senoko Food Hub
- Educational projects such as Eunoia Junior College and Nexus International School
- Major commercial projects such as Global Switch Data Centre

PanU continues to enjoy a strong foothold in the Singapore market for concrete and cement. Although the demand for ready mixed concrete remains modest, the robust pipeline of major infrastructure and public sector projects will continue to boost demand for high volumes of multiple-use concrete solutions.

Sengkang General and Community Hospital
In 2017, PanU clinched many institutional projects including the new Sengkang Hospital complex. When completed, the hospital will serve as a specialised centre for eye and heart conditions and other healthcare needs of the population to the North-East of Singapore.

Singapore Management University
The newly-completed Singapore Management University School of Law is a sprawling campus that is the size of 52 basketball courts.

Palm Heights, Vietnam
Our operations in Vietnam have grown exponentially in the past year. New projects include Palm Heights, the residential component of the 30-hectare Keppel Land waterfront Palm City township in District 2. (Artist's impression by courtesy of Keppel Land Vietnam)

CONCRETE & CEMENT (C&C)

Regional markets

The trusted PanU brand embodies both product innovation capabilities and cost-effective operations. This dual pronged business model is carried over to our operations in the region.

During the year, we became the top concrete company in Ho Chi Minh City – just six years after our entry into Vietnam. We also achieved another milestone in the vertical integration of our C&C business with the commencement of our new high quality slag grinding plant in Malaysia.

Our Vietnam operations continued to secure major private sector projects from reputable developers familiar with the PanU brand. We are proud to play a role in the construction of the first underground metro line in Ho Chi Minh City. We are also supplying high-performance concrete products to build skyscrapers such as the 81-storey Landmark 81, Vietnam's tallest building, and Viet Capital Center, a mixed-use project in District 1.

We have also become the trusted concrete supplier to several large scale projects by Singapore developers. These include Palm Heights, the residential component of Keppel Land's waterfront Palm City township in District 2; Feliz En Vista by CapitaLand at New Urban City in District 2; and OneHub Saigon by Ascendas at High Tech Park in District 9.

Meanwhile, our new slag grinding plant in Johor commenced commercial production in early 2018. It has started to supply our own high-grade ground granulated blast furnace slag (GGBFS) to our RMC operations in Singapore and Johor. Our team has also been busy setting up new offices and batching plants in Selangor and Malacca, to grow and solidify our foothold in Malaysia.

Major projects in Malaysia include the East Klang Valley Expressway, a 39.5 km-long highway connecting two major towns in Selangor, and Ikea's first new retail centre in Tebrau, Johor.

East Klang Valley Expressway, Malaysia
PanU is providing products to build the 39.5 km East Klang Valley Expressway that will connect two towns in Selangor – Ampang Jaya and Kajang – when completed in 2019.

SOME KEY PROJECTS IN 2017

SINGAPORE

Infrastructural
- Changi Water Reclamation Plant Phase 2
- Deep Tunnel Sewage System Phase 2
- Changi Airport Terminal 5 taxiways and aircraft parking stands
- Changi East Development
- Tuas Terminal Phase 1
- Mass Rapid Transit:
  - Circle Line 6
  - Tunnels for LTA Thomson East Coast Line
  - Downtown Line 3
  - Orchard Interchange
  - Mandai Depot
  - Woodlands, Outram Park and Marina South Stations
- Viaduct For Tuas West Extension
- New Road between MacRitchie Viaduct

Residential
- Sol Acres at Choa Chu Kang Grove
- Duo Residences at Fraser Street
- Oasis at Sims Drive
- High Park at Fernvale Road
- Coco Palm at Pasir Ris Grove
- Hillion Residences at Petir Road
- Grandeur Park Residences at Bedok South
- Bidadari Estate

Commercial
- Jewel Changi Airport
- Tanjong Pagar Centre
- The DUO Singapore
- Mediacorp
- National Heart Centre
- Wisteria Mall
- Funan
- OUE Downtown Gallery
- Robinson Tower
- Project Glory (Redevelopment of Golden Shoe Car Park)

Institutional
- Sengkang General and Community Hospital
- National Centre For Infectious Diseases And Centre For Healthcare Innovation
- Novena Health City
- Outram Community Hospital
- Changi General Hospital Medical Centre
- Woodlands Health Campus
- Nee Soon Camp

Educational
- Australian International School at 1 Lorong Chuan
- Singapore Management University School of Law
- Nanyang Technological University, Lee Kong Chian School of Medicine at Novena
- Eunoia Junior College
- NUS Wet Science Building
- Nexus International School

Industrial
- Food Hub at Senoko
- Industrial factory cum dormitory and heavy vehicle depot in Tuas
- West Jurong Island Substation
- Carros Centre industrial building
- Hankyu Hanshin Regional Logistics Hub
- JTC Furniture Hub
- Bedok Food City
- Defu Industrial City
- JTC Logistics Hub
- Global Switch Data Centre

VIETNAM

Ho Chi Minh City
- Landmark 81
- Spirit of Saigon
- Saigon Centre
- Prince Residence
- Metro Line 1 at the Opera House

THE CONCRETE INNOVATION COMPANY

Going forward, we foresee that the emergence of smart cities will create demand for more high-specification concrete products in line with innovations in the built environment. PanU will continue to employ our advanced research capabilities in partnership with strategic customers to develop solutions that can overcome spatial, logistics and environmental challenges.

Uses of high-specification, high-performance concrete products include:

- **Shotcrete for MRT tunnels and underground caverns**
- **Self-Compacting Concrete which reduces manpower and noise pollution for skyscrapers in dense urban areas, such as at Tanjong Pagar Centre**
- **Underwater Concrete that displaces water and eliminates the vacuum process, like the Helix Bridge**
- **Eco Concrete using higher ratios of recycled raw materials, for the dome structures of Gardens by the Bay**
- **Lightweight Concrete for the roof of Changi Airport Terminal 3**
- **High-Strength Concrete for the interlocking structures of Interlace condominium**

Our customers are always at the heart of everything we do, and a robust innovation-driven culture underpins everything that we offer. We continue to introduce initiatives aimed at delivering value to our customers and upskilling our workforce. We have reviewed and implemented training sessions for our entire team, from customer service officers to our drivers, so as to foster and sustain a culture of service excellence in the Group.

Translucent Concrete

PERFORMANCE REVIEW

PORTS

Xinghua Port possesses unique logistics capabilities as a multi-purpose port near the mouth of the Changjiang River, China's longest river. It has multiple advantages - as a domestic transhipment hub linked to major cities and special economic zones in the Changjiang River Delta, and as an international port to the rest of the world.

Xinghua has high versatility as a multi-purpose port.

It offers a total of 16 berths and combined quay length of over 2.57 km to serve a wide range of vessels up to 85,000 dwt, and an extensive land area (inset) of 1.38 sq km for open and closed storage.

PORTS

In 2017, Xinghua Port ("Xinghua") in Changshu saw a rise of 8.3% in revenue to RMB481.2 million. Its value as a logistics hub was reflected by strong demand for stevedoring services, which was the biggest revenue generator. The higher revenue was also partly attributed to a 14.9% increase in pulp & paper volumes. Total cargo handled remained stable at 13.0 million tonnes. Xinghua was able to improve handling rates for most of the cargo types.

Xinghua's EBITDA and net profit for FY2017 were however affected by higher operating costs as well as the mainly one-off listing expenses. Without the listing expenses, Xinghua would have recorded an improved EBITDA of RMB215.0 million and net profit after tax of RMB107.0 million.

According to the report by Frost and Sullivan, revenues of port logistics services for pulp & paper and log imports into the Changjiang River Delta are expected to grow to RMB485.9 million and RMB1.5 billion respectively by 2021. These two cargo segments contributed to a significant amount of total revenue of Xinghua in 2017.

Xinghua expects that its strong focus on these cargoes will enable it to leverage on the increased demand for related port services. In addition, Xinghua continues to benefit from synergies between its two ports which are alongside each other.

After the acquisition of CCIP next door in 2014, Xinghua has gained greater flexibility in berth configuration to handle more project equipment cargo, giving it greater access to the "Belt and Road" initiative set by the China government.

Loading windmill blades onto a vessel.

> Xinghua's listing is just the beginning. We have worked hard for the past 24 years to get us to this milestone in its history.

Patrick Ng,
Executive Chairman,
Xinghua Port Holdings Ltd

Hauling a cooling tower onboard.

SUSTAINABILITY & COMMUNITY

In pursuing business success, PanU is ever mindful of the importance of mitigating the impact of our products on the environment, and of doing our part for the community.

Concrete mixer by day, Asia's first disco concrete truck by night.

Contributing to the arts

Ever ready to raise standards, PanU increased its community efforts through the arts in 2017. We sponsored a concrete mixer truck (above) for a novel art installation by French artist Benedetto Bufalino to commemorate the 130th anniversary of the National Museum of Singapore in October. The truck was transformed into Asia's first ever 'disco' truck where a mosaic of reflective mirror tiles covered the entire mixer drum to become a giant disco ball.

Conserving the environment

Towards the later part of 2017, Singapore declared 2018 to be its Year of Climate Action. In light of this, PanU's leadership in developing and innovating sustainable concrete solutions are especially opportune.

As testament to our strong focus on sustainable products and operations, PanU became the first and only local concrete company to attain the "Leader" certification from the Singapore Green Building Council. This is the highest level of sustainability certification in the Council's 4-tier classification system. The "Leader" certification, awarded in February 2017, covered over 150 specialised concrete products in PanU Concrete's "Eco" and "Green" ready mixed concrete ranges, specially developed by PanU's in-house R&D team.

The concrete products in the "Eco" and "Green" ranges possess a higher content of recycled raw materials, making them more environmentally friendly and sustainable than regular concrete products.

Later in October, PanU was conferred the

SEC-SETSCO Singapore Environmental Achievement Award (Manufacturing) by the Singapore Environment Council (SEC). Presented by Mr Masagos Zulkifli, Minister for the Environment and Water Resources, this premier award reflects our constant efforts to 'green' our business, by using innovative technology to streamline the entire value chain.

PUCC Executive Director, Mr Ken Loh (second from left) receiving the premier award from Mr Masagos Zulkifli, Minister for the Environment and Water Resources.

We are honoured to be recognised as an industry-leading environmental steward. This will spur even greater efforts from our people to raise the bar on environmental conservation.
We have expanded our R&D facilities to undertake more work on widening our suite of high-performance concrete products with greater recycled content. This area of work has gained greater eco impetus with our new slag grinding plant in Johor which recycles steel wastes to produce a high-grade raw material substitute for Portland cement.

Water consumption has also been minimised with the installation of water filtration systems at our concrete batching plants to recycle this precious natural resource back into the plant for other uses such as washing our trucks before going onto the road.

Conserving resources at the ports

In Changshu, Xinghua Port focused on initiatives to save energy and water. We improved on energy conservation and reduced diesel consumption to an all-time low by converting all rubber-tyre gantry cranes to run on batteries. Smaller port facilities such as forklifts have converted to liquefied petroleum gas, a more environmentally-friendly fuel.

To encourage ships to be more environmentally friendly, power supply systems have been installed alongside for usage by ships berthed at port. This is to minimise bunkering during the loading and discharging of cargoes. A new drainage system has been installed to collect rain water, which is then channelled into tanks and recycled for various uses such as fire safety and washing equipment.

We are collaborating with the Traffic Police to ensure our people are up to date on road safety.

Safety in the community

Safety first. In November 2017, PanU invited the Singapore Civil Defence Force (SCDF) to visit our facilities for a better understanding of our safety and emergency response procedures. In turn, SCDF gave our team a full rundown on their operations. A joint drill with SCDF is in the works sometime in 2018 as part of an initiative to better prepare the nation for emergencies.

In February 2018, the Traffic Police conducted a briefing to PanU's logistics team and a group of subcontracted truck drivers on the utmost importance of road safety. This is a new safety initiative that will be rolled out to all plants in 2018.

FINANCIAL REPORT

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 2017 (FY2017) 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	Phua Bah Lee	–	Independent Director
vi	Tay Siew Choon	–	Independent Director

*As per the Company's announcement released to the 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), Mr Cecil Vivian Richard Wong has been recommended by the Nominating Committee for re-election pursuant to Regulation 89 of the Constitution of the Company (Constitution).

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.

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.

Report on Corporate Governance (continued)

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 Board 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 FY2017 is set out as follows:

Name of director	Board	Audit Committee	Nominating Committee	Remuneration Committee	Annual General Meeting	Extraordinary General Meeting
Total number of meetings	**5**	**4**	**1**	**2**	**1**	**1**
Ch'ng Jit Koon	5	4	1	–	1	1
Patrick Ng Bee Soon	5	–	–	–	1	1
Ng Bee Bee	5	–	–	–	1	1
Jane Kimberly Ng Bee Kiok*	5	–	–	–	1	1
Lee Cheong Seng*	5	–	1	–	1	1
Cecil Vivian Richard Wong	5	4	–	2	1	1
Phua Bah Lee	4	–	1	2	1	1
Tay Siew Choon	5	4	–	2	1	1

*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. All 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 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, Phua Bah Lee and Tay Siew Choon, 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 these 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 and knowledge of the Group. No individual or group dominates the Board's decision-making process.

The non-executive directors 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.

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 are not related to 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 are non-executive independent directors, namely:

i Ch'ng Jit Koon – Chairman
ii Phua Bah Lee
iii Patrick Ng Bee Soon (appointed on 5 February 2018)

The main functions of the NC as governed by its written terms of reference, which are approved by the Board, are as follows:
- to make recommendation to the Board on new board 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 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 to five, i.e. the non-executive directors of the Company should not hold more than five directorships in other listed companies.

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. No new director was appointed by the Company in FY2017. Alternative directorships in the Company are not encouraged by the NC. The Company has no alternate directors on its Board.

Report on Corporate Governance (continued)

Board Membership (continued)

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	84	Chairman, Independent Director	01/04/1997	26/04/2017
Patrick Ng Bee Soon	55	Deputy Chairman	25/05/1993	26/04/2017
Ng Bee Bee	50	Chief Executive Officer	31/01/2004	26/04/2016
Cecil Vivian Richard Wong	95	Independent Director	01/10/1992	23/04/2015
Phua Bah Lee	85	Independent Director	29/11/1993	23/04/2015
Tay Siew Choon	70	Independent Director	01/02/2005	26/04/2016

Notes
1) Information on directors' shareholdings in the Company and its related companies is set out on page 35 and 36 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 and its board committees as a whole 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 as well as the actual performance of each director for FY2017, the NC is satisfied that all the directors have adequately carried out their duties, notwithstanding their multiple board representations.

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, including the company secretary, at all times. The company secretary attends and maintains minutes of all board meetings. 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 who are all non-executive independent directors, namely:

i Tay Siew Choon – Chairman
ii Cecil Vivian Richard Wong
iii Phua Bah Lee

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 and the level of fees of directors in similar industries. The Chairman of each board committee is paid a higher fee because of the greater responsibility carried by that office. The RC ensures that non-executive directors are not over-compensated to the extent that their independence may be compromised. Members of the RC do not participate in any discussions or decisions concerning their own remuneration. Directors' fees are subject to shareholders' approval at the Company's annual general meetings.

The following table shows the breakdown of the level and mix of directors' remuneration for FY2017:

Remuneration bands & name of director	Base salary/ Directors' fees	Performance-related bonus	Share options granted
$250,000 to $500,000			
Patrick Ng Bee Soon	83%	17%	–
Ng Bee Bee	84%	16%	–
Jane Kimberly Ng Bee Kiok*	85%	15%	–
Below $250,000			
Ch'ng Jit Koon	100%	–	150,000
Lee Cheong Seng*	100%	–	150,000
Cecil Vivian Richard Wong	100%	–	150,000
Phua Bah Lee	100%	–	150,000
Tay Siew Choon	100%	–	150,000

*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 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 FY2017.

Report on Corporate Governance (continued)

Remuneration Matters (continued)

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' Report at page 36 and 37 of the Annual Report. In accordance with Rule 704(29) of the Listing Rules, the necessary SGXNET announcement of the FY2017 share options granted was made on 8 December 2017.

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 (SFRS). 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 robust risk management and internal control systems.

In assessing the effectiveness of the Group's internal control 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 and compliance controls, and risk management. 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 FY2017, the relevant financial records of the Group have been properly maintained and the financial statements of the Group, prepared in accordance with SFRS, 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, work 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, addressing 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 81 to 83 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.

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 three members who are all non-executive independent directors, namely:

i Cecil Vivian Richard Wong – Chairman
ii Ch'ng Jit Koon
iii Tay Siew Choon

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 effectiveness of the

Report on Corporate Governance (continued)

Audit Committee (continued)
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 external auditor and makes recommendation to the Board on the 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 and compliance 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 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;
- 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 2017;
- met with external and internal auditors without the presence of Management;
- reviewed and recommended the re-appointment of external auditor and is satisfied with the audit fees paid to the auditor; and
- reviewed the non-audit fees of the external auditor and is satisfied with the non-audit fees paid to the auditor.

In the review of the financial statements for FY2017, 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 auditors, who had reported their findings to the AC. Details can be found in the Auditor's Report on page 38.
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 assumptions used and analysis of ageing of outstanding trade receivables. 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 38.

The aggregate amount of audit and non-audit services payable to the external auditor, Ernst & Young LLP (EY), for FY2017 is disclosed in the financial note 4 on page 60 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 2018.

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 FY2017.

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 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 adequacy and effectiveness of the internal audit function. The AC has re-appointed PwC as the Group's IA for FY2017 and FY2018.

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 at no cost if they still wish to receive it 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.

Report on Corporate Governance (continued)

Conduct of Shareholder Meetings (continued)

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.

Details of the interested person transaction (IPT) for FY2017 are as follows:

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)
P.U. Vision Pte Ltd*	$188,856

* The Company is the "entity at risk" for the purposes of Chapter 9 of the Listing Manual. P.U. Vision Pte Ltd is a wholly-owned subsidiary of Sedgefield Corporation Pte. Ltd (Sedgefield). Sedgefield is wholly-owned by Ms Ng Bee Bee, who is a director and controlling shareholder of the Company, and Mr Ng Han Whatt and Ms Jane Kimberly Ng Bee Kiok, who are controlling shareholders of the Company. Ms Ng Bee Bee, Mr Ng Han Whatt and Ms Jane Kimberly Ng Bee Kiok are also directors of Sedgefield. P.U. Vision Pte Ltd is therefore an "interested person" and the above-mentioned transaction constitutes an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual.

The amount of $188,856 represents the fees paid by P.U. Vision Pte Ltd to the Group for assisting in the disposal of its tugs and barges.

On behalf of the Board of Directors,

Ch'ng Jit Koon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
23 March 2018

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 2017.

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 2017 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
Phua Bah Lee	–	Independent Director
Tay Siew Choon	–	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	1,298,000	1,810,000	–	–
Patrick Ng Bee Soon	27,969,630	34,962,037	–	–
Ng Bee Bee	–	–	326,700,002*	408,375,002*
Jane Kimberly Ng Bee Kiok	–	–	327,047,602*	408,809,502*
Lee Cheong Seng	2,000,000	2,500,000	–	–
Cecil Vivian Richard Wong	500,000	625,000	–	–
Phua Bah Lee	1,315,000	1,831,250	10,000	10,000
Tay Siew Choon	830,000	1,037,500	–	–

* These include 191,250,000 (as at 1 January 2017: 153,000,000) ordinary shares held as joint shareholders.

Directors' Statement (continued)

4. Directors' Interests in Shares and Debentures (continued)

Name of director	Direct interest: At the beginning of financial year	Direct interest: At the end of financial year	Deemed interest: At the beginning of financial year	Deemed interest: At the end of financial year
(options to subscribe for ordinary shares)				
Ch'ng Jit Koon	600,000	640,800	–	–
Lee Cheong Seng	750,000	804,400	–	–
Cecil Vivian Richard Wong	600,000	640,800	–	–
Phua Bah Lee	600,000	640,800	–	–
Tay Siew Choon	600,000	804,400	–	–

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr Patrick Ng Bee Soon, Ms Ng Bee Bee and Ms Jane Kimberly Ng Bee Kiok 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 2018.

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 2017 are as follows:

Date granted	Exercise price	Exercise period	No. of share options: At date of grant and at 31 December 2017
18/11/2011	$0.43	18/11/2012 - 17/11/2021	61,200
15/11/2012	$0.62	15/11/2013 - 14/11/2022	531,500
20/11/2013	$0.91	20/11/2014 - 19/11/2018	818,000
20/11/2013	$0.91	20/11/2014 - 19/11/2023	1,633,600
19/11/2014	$0.80	19/11/2015 - 18/11/2019	818,000
19/11/2014	$0.80	19/11/2015 - 18/11/2024	1,715,700
19/11/2015	$0.55	19/11/2016 - 18/11/2020	327,200
19/11/2015	$0.55	19/11/2016 - 18/11/2025	1,524,900
11/11/2016	$0.55	11/11/2017 - 10/11/2021	818,000
11/11/2016	$0.55	11/11/2017 - 10/11/2026	1,908,300
08/12/2017	$0.55	08/12/2018 - 07/12/2022	750,000
08/12/2017	$0.55	08/12/2018 - 07/12/2027	1,495,000
			12,401,400

During the financial year ended 31 December 2017, the Company has granted 750,000 options to non-executive directors of the Company and 1,495,000 options to certain employees of the Group, at the exercise price of $0.55. Details of these options granted are as follows:

Exercisable date	Expiry date	Number of options
08/12/2018	07/12/2022	750,000
08/12/2018	07/12/2027	445,000
08/12/2019	07/12/2027	452,000
08/12/2020	07/12/2027	598,000
		2,245,000

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 Phua Bah Lee;

(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.

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	Adjustments made in conjunction with the rights issue	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	40,800	2,230,800	(1,440,000)	(150,000)	640,800
Lee Cheong Seng	150,000	68,000	6,508,000	(5,540,000)	(163,600)	804,400
Cecil Vivian Richard Wong	150,000	40,800	2,230,800	(1,440,000)	(150,000)	640,800
Phua Bah Lee	150,000	40,800	2,230,800	(1,440,000)	(150,000)	640,800
Tay Siew Choon	150,000	54,400	1,934,400	(830,000)	(300,000)	804,400
	750,000	244,800	15,134,800	(10,690,000)	(913,600)	3,531,200

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 2018.

7. Auditor

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

On behalf of the Board of Directors,

Ch'ng Jit Koon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
23 March 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Pan-United Corporation Ltd

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 2017, 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 Financial Reporting Standards in Singapore (FRSs) 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 2017 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 2017, the Group has goodwill arising from 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 2017.

In determining the recoverable amounts of the cash generating units to which goodwill had been allocated, the Group used the value-in-use calculations based on key assumptions related to future market and economic conditions such as economic growth, inflation rate, 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 disclosures in Note 11 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 2017, gross trade receivables of the Group and allowance for doubtful trade receivables amounted to $162.1 million and $3.8 million respectively. Trade receivable balances were significant to the Group as they represent 20.3% 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 judgement, 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 aging profile of outstanding trade receivables to identify collection risks. We requested trade receivable confirmations from major debtors and assessed their collectability by obtaining evidence of subsequent receipts. We also assessed the key assumptions used by management to evaluate the Group's trade receivables for impairment and the estimation of the impairment amount, where applicable, through analysis of ageing of outstanding receivables, assessment of significant overdue individual trade receivables and specific customer profile and risks.

Information regarding the Group's trade receivables and its credit risk management process is disclosed in Notes 16 and 33(c) respectively to the financial statements.

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 FRSs, 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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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
23 March 2018

CONSOLIDATED INCOME STATEMENT

For the Financial Year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Revenue	3	**629,321**	612,321
Other income		**3,117**	4,379
Raw materials, subcontract costs and other direct costs		**(531,589)**	(513,268)
Staff costs	5	**(35,276)**	(37,510)
Depreciation and amortisation expenses		**(14,486)**	(13,102)
Other expenses		**(42,703)**	(40,233)
Finance costs	6	**(3,749)**	(3,490)
Share of results of associates		**3,084**	850
Profit before tax from continuing operations	4	**7,719**	9,947
Income tax expense	7	**(1,159)**	(1,757)
Profit from continuing operations, net of tax		**6,560**	8,190
Discontinued operations			
Profit from discontinued operations, net of tax	8	**17,738**	10,226
Profit for the year		**24,298**	18,416
Attributable to			
Equity holders of the Company			
Profit from continuing operations, net of tax		**5,788**	6,645
Profit from discontinued operations, net of tax		**14,288**	7,154
Profit for the year attributable to equity holders of the Company		**20,076**	13,799
Non-controlling interests			
Profit from continuing operations, net of tax		**772**	1,545
Profit from discontinued operations, net of tax		**3,450**	3,072
Profit for the year attributable to non-controlling interests		**4,222**	4,617
Earnings per share from continuing operations attributable to equity holders of the Company (cents per share)			
Basic	9	**0.83**	1.19
Diluted	9	**0.83**	1.19
Earnings per share (cents per share)			
Basic	9	**2.86**	2.47
Diluted	9	**2.86**	2.47

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 2017

	2017 **$'000**	2016 $'000
Profit for the year	**24,298**	18,416
Other comprehensive income		
Fair value changes of derivatives	**(4,021)**	1,974
Foreign currency translation	**(3,412)**	(5,431)
Other comprehensive income for the year, net of tax	**(7,433)**	(3,457)
Total comprehensive income for the year	**16,865**	14,959
Attributable to		
Equity holders of the Company	**13,462**	11,335
Non-controlling interests	**3,403**	3,624
Total comprehensive income for the year	**16,865**	14,959
Attributable to Equity holders of the Company		
Total comprehensive income from continuing operations, net of tax	**1,069**	9,905
Total comprehensive income from discontinued operations, net of tax	**12,393**	1,430
Total comprehensive income for the year attributable to equity holders of the Company	**13,462**	11,335

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

BALANCE SHEETS

As at 31 December 2017

		Group		Company	
		2017	2016	**2017**	2016
	Notes	**$'000**	$'000	**$'000**	$'000
Non-current assets					
Property, plant and equipment	10	**185,851**	455,178	**271**	318
Intangible assets	11	**4,324**	24,507	**1,001**	–
Subsidiaries	12	**–**	–	**81,049**	180,119
Associates	13	**3,728**	9,803	**–**	–
Other investments	14	**407**	996	**404**	930
Other receivables	16	**633**	933	**–**	–
Deferred tax assets	23	**475**	831	**–**	–
		195,418	492,248	**82,725**	181,367
Current assets					
Inventories	15	**34,362**	20,193	**–**	–
Work-in-progress		**–**	382	**–**	–
Prepayments		**2,652**	3,322	**566**	580
Trade and other receivables	16	**139,007**	146,252	**3,081**	2,812
Derivatives	25	**–**	2,879	**–**	2,879
Other assets	17	**4,631**	1,577	**–**	–
Cash and short-term deposits	18	**63,133**	72,662	**38,637**	43,270
		243,785	247,267	**42,284**	49,541
Assets of disposal group classified as held for sale	8	**341,434**	–	**102,000**	–
		585,219	247,267	**144,284**	49,541
Current liabilities					
Loans and borrowings	19	**41,559**	52,381	**–**	2,000
Payables and accruals	20	**98,925**	109,215	**1,366**	1,953
Deferred income	21	**5,361**	558	**–**	–
Provisions	22	**1,284**	1,983	**–**	–
Income tax payable		**1,408**	3,350	**33**	2
Derivatives	25	**1,627**	–	**1,627**	–
		150,164	167,487	**3,026**	3,955
Liabilities directly associated with disposal group classified as held or sale	8	**170,545**	–	**–**	–
		320,709	167,487	**3,026**	3,955
Net current assets		**264,510**	79,780	**141,258**	45,586
Non-current liabilities					
Loans and borrowings	19	**81,342**	245,936	**20,000**	78,000
Deferred tax liabilities	23	**6,991**	10,605	**–**	–
Deferred income	21	**–**	893	**–**	–
Other liability	24	**537**	580	**–**	–
Provisions	22	**3,149**	3,000	**–**	–
Derivatives	25	**–**	368	**–**	368
		92,019	261,382	**20,000**	78,368
Net assets		**367,909**	310,646	**203,983**	148,585
Equity atributable to equity holders of the Company					
Share capital	26a	**151,799**	92,052	**151,799**	92,052
Treasury shares	26b	**(957)**	(1,759)	**(957)**	(1,759)
Reserves		**141,138**	183,394	**53,141**	58,292
Reserves of disposal group classified as held for sale	8	**36,914**	–	**–**	–
		328,894	273,687	**203,983**	148,585
Non-controlling interests		**39,015**	36,959	**–**	–
Total equity		**367,909**	310,646	**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 2017

	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										
Balance at 1 January 2017	92,052	(1,759)	3,000	(6,766)	254,045	(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)	2,434	(106,960)	70,612	36,914	–	–	–
Balance at 31 December 2017	151,799	(957)	–	(6,925)	148,242	(179)	36,914	178,052	39,015	367,909

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	Total reserves $'000	$'000	$'000
Group 2016									
Balance at 1 J January 2016	92,052	(1,759)	3,000	(2,328)	261,238	(69,121)	192,789	34,657	317,739
Profit for the year	–	–	–	–	13,799	–	13,799	4,617	18,416
Other comprehensive income									
Foreign currency translation	–	–	–	(8,737)	–	–	(8,737)	(993)	(9,730)
Realisation of foreign currency translation reserve	–	–	–	4,299	–	–	4,299	–	4,299
Fair value changes of derivatives	–	–	–	–	–	1,974	1,974	–	1,974
Other comprehensive income for the year, net of tax	–	–	–	(4,438)	–	1,974	(2,464)	(993)	(3,457)
Total comprehensive income for the year	–	–	–	(4,438)	13,799	1,974	11,335	3,624	14,959
Contributions by and distributions to equity holders									
Cost of share-based payment (share options)	–	–	–	–	–	262	262	–	262
Dividends on ordinary shares (Note 36)	–	–	–	–	(20,992)	–	(20,992)	–	(20,992)
Total transactions with equity holders in their capacity as equity holders	–	–	–	–	(20,992)	262	(20,730)	–	(20,730)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(1,322)	(1,322)
Balance at 31 December 2016	92,052	(1,759)	3,000	(6,766)	254,045	(66,885)	183,394	36,959	310,646

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 2017						
Balance at 1 January 2017	**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)**
Balance at 31 December 2017	**151,799**	**(957)**	**53,320**	**(179)**	**53,141**	**203,983**
Company 2016						
Balance at 1 January 2016	92,052	(1,759)	62,463	1,767	64,230	154,523
Profit for the year	–	–	12,818	–	12,818	12,818
Other comprehensive income						
Fair value changes of derivatives	–	–	–	1,974	1,974	1,974
Other comprehensive income for the year, net of tax	–	–	–	1,974	1,974	1,974
Total comprehensive income for the year	–	–	12,818	1,974	14,792	14,792
Cost of share-based payment (share options)	–	–	–	262	262	262
Dividends on ordinary shares (Note 36)	–	–	(20,992)	–	(20,992)	(20,992)
Balance at 31 December 2016	92,052	(1,759)	54,289	4,003	58,292	148,585

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 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Profit before tax from continuing operations		**7,719**	9,947
Profit before tax from discontinued operations	8	**24,726**	17,105
Adjustments for			
Depreciation expenses	10	**24,411**	28,093
Amortisation of intangible assets	11	**165**	–
Dividend income from available-for-sale investments	4 (a)	**–**	(830)
Interest income		**(544)**	(404)
Interest expense		**10,810**	12,103
Gain on disposal of subsidiaries	8 (b)	**–**	(483)
Gain on disposal of property, plant and equipment		**(25)**	(281)
Reversal of bad debts written off		**–**	(23)
(Reversal of impairment loss)/impairment loss on trade receivables	4 (b)	**(93)**	105
(Reversal of write-down)/write-down of inventories		**(7)**	42
Gain on disposal of other investments	4 (a)	**(24)**	–
Reversal of provisions	22	**(301)**	(15)
Write-off of property, plant and equipment		**1,251**	1,593
Fair value changes of derivatives		**117**	–
Fair value changes on held for trading investment		**–**	16
Share-based payment expenses	5	**68**	262
Share of results of associates		**(5,509)**	(3,413)
Foreign exchange differences		**(1,150)**	2,122
Operating cash flows before working capital changes		**61,614**	65,939
(Increase)/decrease in trade and other receivables		**(17,631)**	16,925
Increase in prepayments		**(186)**	(1,136)
(Increase)/decrease in inventories and work-in-progress		**(13,988)**	8,066
(Increase)/decrease in other assets		**(3,054)**	2,235
Increase/(decrease) in payables, accruals and provisions		**24,768**	(16,964)
Increase/(decrease) in deferred income		**4,781**	(3,021)
Cash flows from operations		**56,304**	72,044
Interest paid		**(10,810)**	(12,103)
Income tax paid		**(7,900)**	(6,795)
Interest received		**544**	404
Net cash flows from operating activities		**38,138**	53,550
Cash flows from investing activities			
Acquisition of property, plant and equipment	Note A	**(30,003)**	(46,017)
Addition to intangible assets	11	**(1,751)**	–
Proceeds from disposal of subsidiaries	8	**–**	27,543
Purchase of other investments		**–**	(67)
Proceeds from disposal of property, plant and equipment		**696**	1,078
Proceeds from disposal of other investments		**63**	–
Dividend income from associates		**6,063**	2,486
Dividend income from other investments		**–**	830
Capital refund from other investment		**156**	–
Net cash flows used in investing activities		**(24,776)**	(14,147)
Cash flows from financing activities			
Proceeds from bank borrowings		**108,641**	181,270
Repayment of bank borrowings		**(153,420)**	(169,428)
Net proceeds from right issues	26(a)	**59,747**	–
Proceeds from reissuance of treasury shares		**573**	–
Dividends paid to shareholders	36	**(18,919)**	(20,992)
Dividends paid to non-controlling interests		**(1,071)**	(1,322)
Net cash flows used in financing activities		**(4,449)**	(10,472)
Net increase in cash and cash equivalents		**8,913**	28,931
Cash and cash equivalents as at beginning of year		**72,662**	43,686
Reclassified to assets held for sale	18	**(17,918)**	–
Effects of exchange rate changes on opening cash and cash equivalents		**(524)**	45
Cash and cash equivalents as at end of year	18	**63,133**	72,662
Note A: Reconciliation on acquisition of property, plant and equipment			
Addition on property, plant and equipment	10	**30,550**	46,617
Less: Provision for land reinstatement during the financial year	22	**(547)**	(600)
		30,003	46,017

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 are disclosed in Note 12 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 (FRS).

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.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of $6.8 million of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above and the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new financial reporting framework will have no material impact on the financial statements in the year of initial application.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the amendments to FRS7 disclosure initiative. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 40 Transfers of Investment Property	1 January 2018
Amendments to FRS 28 Investments in Associates and Joint Ventures	1 January 2018
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123 Uncertainty over Income Tax Treatments	1 January 2019
FRS 116 Leases	1 January 2019
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in

FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

(a) Classification and measurement
The Group's debt instruments are expected to give rise to cash flows representing solely payments of principal and interest.

(b) Impairment
FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis.

The Group does not expect any significant impact to arise from the adoption of this standard.

FRS 115 Revenue from Contracts with Customers
FRS 115 establishes a new five-step model to account for revenue arising from contracts with customers and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

The Group does not expect any significant impact to arise from the adoption of this standard.

FRS 116 Leases
FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets, total liabilities and gearing ratio.

2.4 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.

Notes To The Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations (continued)

(b) Business combinations are accounted for by applying the acquisition method

Business combinations are accounted for by applying the acquistion 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.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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.

2.5 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.

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, 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.

2.7 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.

2.8 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

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.

Notes To The Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

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.

2.9 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, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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.

2.10 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.

2.11 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.

2.12 Deferred income

Deferred income relates to land lease arrangements, coal trading and voyages-in-progress. The deferred income from land lease arrangements is credited to profit or loss on a straight-line basis, over the period of the lease term from the contract commencement date. Deferred income from coal trading is credited to profit or loss upon the transfer of significant risks and rewards of ownership of the coal to the customer, which generally coincides with delivery and acceptance of the coal sold. Deferred income from voyages-in-progress is credited to profit or loss as the voyages progress.

2.13 Financial assets

Initial recognition and measurement

Financial assets 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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 is recognised in profit or loss.

Notes To The Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.15 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.

Cash and short-term deposits carried on the balance sheets are classified and accounted for as loans and receivables under FRS 39.

2.16 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.

2.17 Work-in-progress

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

2.18 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.

2.19 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.

2.20 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.21 Hedge accounting

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

For the purpose of hedge accounting, hedge is classified as:

- fair value hedge when hedging the exposure to changes in the fair value of recognised asset or liability or an unrecognised firm commitment;
- cash flow hedge 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
- hedge of a net investment in a foreign operation.

Notes To The Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.21 Hedge accounting (continued)

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedge which meets the strict criteria for hedge accounting is accounted for as follows:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, 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, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. 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.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

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 5.

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

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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 2.25(e).

2.25 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. 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 upon delivery of services.

Freight income is recognised on the percentage of completion method.

(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.

2.32 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. Management is of the opinion that there is no significant judgement made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Notes To The Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.32 Significant accounting estimates and judgements (continued)

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, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Impairment of goodwill

As disclosed in Note 11 to the financial statements, the recoverable amounts of the cash generating units, which goodwill has been allocated to, are determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow models. 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. Any significant adverse change in a key assumption would result in an impairment loss. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 11 to the financial statements.

The carrying amount of goodwill as at 31 December 2017 is $2,345,000 (2016: $24,507,000).

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 16 to the financial statements.

3. Revenue

	Group	
	2017	2016
	$'000	$'000
Sale of goods	**621,886**	606,903
Rendering of services	**7,435**	5,418
	629,321	612,321

4. 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	
	2017	2016
	$'000	$'000
(a) **Other income**		
Dividend income from available-for-sale investments	**–**	830
Agency and brokerage income	**1,033**	465
Government grant	**287**	411
Interest income from loans and receivables	**373**	290
Gain on disposal of property, plant and equipment	**54**	364
Gain on disposal of other investments	**24**	–
Others	**1,346**	2,019
(b) **Other expenses**		
Rental of equipment, maintenance and consumables	**17,189**	19,047
Land rental and land usage tax	**13,094**	11,188
Utilities and telecommunication charges	**4,783**	4,777
Write-off of property, plant and equipment	**1,251**	1,574
Professional fees	**1,119**	1,021
Marketing expenses	**629**	537
Insurance expenses	**277**	275
Audit fees paid to		
- Auditor of the Company	**191**	191
- Other auditors	**64**	63
(Reversal of impairment loss)/impairment loss on trade receivables	**(93)**	105
Non-audit fees paid to		
- Auditor of the Company	**243**	–
- Other auditors	**30**	7
Reversal of bad debts written off	**–**	(23)
Others	**3,926**	1,471

5. Staff costs

	Group	
	2017	2016
	$'000	$'000
Staff costs (including executive directors)		
Salaries, allowances and bonuses	**28,996**	30,992
Central Provident Fund and other retirement contribution plans	**2,210**	2,258
Share-based payment (share options)	**68**	262
Other personnel-related expenses	**4,002**	3,998
	35,276	37,510

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.

	2017		2016	
	No. of share options	**WAEP ($)**	No. of share options	WAEP ($)
Outstanding at beginning of year	**10,907,500**	**0.75**	8,335,500	0.80
Adjustments made in conjunction with the rights issue	**914,200**	**0.02**	–	–
Granted during the year (Note a)	**2,245,000**	**0.55**	2,572,000	0.60
Exercised during the year (Note b)	**(931,000)**	**0.61**	–	–
Forfeited during the year	**(734,300)**	**0.69**	–	–
Outstanding at end of year (Note c)	**12,401,400**	**0.67**	10,907,500	0.75
Exercisable at end of year	**8,047,200**	**0.74**	6,447,500	0.83

Notes

(a) The weighted average fair value of options granted during the year was $0.09 (2016: $0.10).

(b) The weighted average share price at the dates of exercise for the options exercised in 2017 was $0.61(2016: Nil).

(c) The range of exercise prices for options outstanding at the end of the year was $0.43 to $0.91 (2016: $0.43 to $0.91) after adjustment pursuant to the rights issue. The weighted average remaining contractual life for these options is 6 years (2016: 7 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:

	2017	2016
Dividend yield (%)	**6.82**	7.08
Expected volatility (%)	**32.80**	32.80
Risk-free interest rate (%)	**1.46**	0.89
Average expected life of option (years)	**4.17**	4.27
Share price ($) at grant date	**0.55**	0.60

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.

Notes To The Financial Statements (continued)

6. Finance costs

	Group	
	2017	2016
	$'000	$'000
Interest expense on loans and borrowings	**3,410**	3,306
Bank charges	**339**	184
	3,749	3,490

7. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group	
	2017	2016
	$'000	$'000
Consolidated income statement		
Current income tax – continuing operations		
Current income taxation	**1,788**	791
(Over)/under provision in respect of previous years	**(1,143)**	11
Deferred income tax – continuing operations (Note 23)		
Origination and reversal of temporary differences	**687**	898
(Over)/under provision in respect of previous years	**(173)**	57
Income tax attributable to continuing operations	**1,159**	1,757
Income tax attributable to discontinued operations (Note 8)	**6,988**	6,879
Income tax expense recognised in profit or loss	**8,147**	8,636

(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 2017 and 2016 is as follows:

	Group	
	2017	2016
	$'000	$'000
Profit before tax from continuing operations	**7,719**	9,947
Profit before tax from discontinued operations (Note 8)	**24,726**	17,105
Accounting profit before tax	**32,445**	27,052
Tax at the domestic rates applicable to profits in the countries where the Group operates	**7,968**	7,539
Adjustments		
Non-deductible expenses	**2,429**	1,153
Effect of partial tax exemption	**(794)**	(977)
Income not subject to taxation	**(527)**	(998)
Tax losses not allowed for carry-forward	**–**	1,106
(Over)/under provision in respect of previous years	**(1,316)**	68
Provision for withholding tax on undistributed earnings of foreign subsidiaries	**954**	854
Benefits from previously unrecognised tax losses	**(193)**	–
Others	**(374)**	(109)
Income tax expense recognised in profit or loss	**8,147**	8,636

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 rate for CCIP as at 31 December 2017 is 12.5%.

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

8. Non-current assets held for sale and discontinued operations

(a) 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 Port Holdings Pte. Ltd. ("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 FRS 105 Non-current Assets Held for Sale and Discontinued Operations, the results of the Ports Business in the financial year ended 31 December 2017 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 2017 $'000	Company 2017 $'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

	Group 2017 $'000	Company 2017 $'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	–

b) On 4 October 2016, the Company announced that it had entered into a conditional sale and purchase agreement with Sedgefield Corporation Pte. Ltd. (owned by Jane Kimberly Ng Bee Kiok and Ng Bee Bee, who were Directors and controlling shareholders of the Company and Ng Han Whatt, a controlling shareholder of the Company), to dispose its entire stakes in two wholly-owned subsidiaries, Pan-United Shipping Pte Ltd ("PUS") and P.U. Vision Pte Ltd ("PUV"), collectively known as the "Tug and Barge Business", for a cash consideration of $29,922,000. The sales consideration was arrived at after arm's length negotiations, on a willing buyer-willing seller basis which took into consideration the unaudited net total assets of PUS and PUV as at 30 September 2016 of $1,939,000 and $27,983,000 respectively. The disposal was approved by its shareholders in the extraordinary general meeting held on 30 November 2016 and subsequently completed on 7 December 2016, on which control of the two subsidiaries was passed to the acquirer.

Notes To The Financial Statements (continued)

8. Non-current assets held for sale and discontinued operations (continued)

In accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations, the results of the Tug and Barge Business, which included the net divestment gain of the disposal group of $483,000, had been presented separately on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, as Discontinued operations.

The values of assets and liabilities of PUS and PUV recorded in the consolidated financial statements as at 30 November 2016 and the effects of the disposal were:

	Pan-United Shipping Pte Ltd $'000	P.U. Vision Pte Ltd $'000	Elimination $'000	Total $'000
Vessels, property, plant and equipment	–	26,252	–	26,252
Trade and other receivables	1,839	1,440	(1,440)	1,839
Prepayment	119	–	–	119
Inventories	983	–	–	983
Cash and cash equivalents	2,131	29	–	2,160
Total assets	5,072	27,721	(1,440)	31,353
Trade and other payables	3,206	75	(1,440)	1,841
Deferred income	292	–	–	292
Total liabilities	3,498	75	(1,440)	2,133
Carrying value of net assets	1,574	27,646	–	29,220

	Pan-United Shipping Pte Ltd $'000	P.U. Vision Pte Ltd $'000	Total $'000
Cash consideration	1,939	27,983	29,922
Cash and cash equivalents of the subsidiaries	(2,131)	(29)	(2,160)
	(192)	27,954	27,762
Cost of divestment			(219)
Net cash inflow on disposal of subsidiaries			27,543

Gain on disposal	**$'000**
Cash received	29,922
Cost of divestment	(219)
Net assets derecognised	(29,220)
Gain on disposal	483

The gain on disposal amounting to $483,000 was included in the profit from discontinued operations.

Income statement disclosures

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

	Group	
	2017 $'000	2016 $'000
Revenue	**97,475**	100,359
Other income	**293**	1,368
Expenses	**(68,058)**	(74,055)
Profit from operations	**29,710**	27,672
Realisation of foreign currency translation reserve	**–**	(4,299)
Finance costs	**(7,409)**	(8,831)
Share of results of associates	**2,425**	2,563
Profit before tax from discontinued operations	**24,726**	17,105
Taxation	**(6,988)**	(6,879)
Profit from discontinued operations, net of tax	**17,738**	10,226

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	
	2017 **$'000**	2016 $'000
Operating	**28,899**	26,836
Investing	**(1,247)**	22,483
Financing	**(22,955)**	(14,171)
Net cash inflow	**4,697**	35,148

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	
	2017	2016
Basic	**2.04**	1.28
Diluted	**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 9.

9. 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	
	2017 **$'000**	2016 $'000
Profit for the year attributable to equity holders of the Company	**20,076**	13,799
Less: Profit from discontinued operations, net of tax, attributable to equity holders of the Company	**(14,288)**	(7,154)
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	**5,788**	6,645

	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation	**700,886**	559,778
Effect of dilution on share options	**261**	19
Weighted average number of ordinary shares for diluted earnings per share computation	**701,147**	559,797

Notes To The Financial Statements (continued)

10. Property, plant and equipment

	Group							
	Vessels $'000	Dry docking expenses $'000	Leasehold land $'000	Leasehold buildings $'000	Plant and machinery $'000	Construction-in-progress $'000	Other assets $'000	Total $'000
Cost								
At 1 January 2016	58,467	6,912	82,810	260,415	190,583	30,578	44,047	673,812
Additions	–	1,171	–	7,091	7,731	28,165	2,459	46,617
Disposals	–	–	–	(139)	(3,065)	–	(1,426)	(4,630)
Write-off	–	(6,512)	–	(28)	(2,387)	–	(43)	(8,970)
Reclassification	–	–	3,040	–	6,725	(6,844)	(2,921)	–
Attributable to discontinued operations (Note 8)	(58,467)	(1,571)	–	–	–	–	–	(60,038)
Exchange differences	–	–	(3,363)	(10,834)	(1,653)	(1,323)	(208)	(17,381)
At 31 December 2016 and 1 January 2017	–	–	82,487	256,505	197,934	50,576	41,908	629,410
Additions	–	–	42	1,293	10,495	17,775	945	30,550
Disposals	–	–	–	(47)	(1,140)	–	(1,908)	(3,095)
Write-off	–	–	–	(150)	(3,678)	–	(107)	(3,935)
Reclassification	–	–	56	259	3,496	(3,857)	46	–
Attributable to disposal group classified as held for sale (Note 8)	–	–	(73,538)	(231,382)	(45,310)	(1,428)	(24,641)	(376,299)
Exchange differences	–	–	(1,022)	(3,476)	(2,006)	1,288	(2,555)	(7,771)
At 31 December 2017	–	–	8,025	23,002	159,791	64,354	13,688	268,860
Accumulated depreciation								
At 1 January 2016	29,007	5,973	17,675	45,270	83,981	–	12,412	194,318
Depreciation charge for the year	3,769	1,065	1,793	5,670	12,122	–	3,674	28,093
Disposals	–	–	–	(47)	(2,531)	–	(1,255)	(3,833)
Write-off	–	(6,028)	–	(9)	(1,316)	–	(24)	(7,377)
Attributable to discontinued operations (Note 8)	(32,776)	(1,010)	–	–	–	–	–	(33,786)
Exchange differences	–	–	(651)	(1,842)	(1,073)	–	383	(3,183)
At 31 December 2016 and 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 8)	–	–	(16,665)	(48,981)	(29,930)	–	(11,186)	(106,762)
Exchange differences	–	–	(208)	(738)	(1,099)	–	(1,719)	(3,764)
At 31 December 2017	–	–	3,708	4,905	70,252	–	4,144	83,009
Net carrying amount								
At 31 December 2017	–	–	4,317	18,097	89,539	64,354	9,544	185,851
At 31 December 2016	–	–	63,670	207,463	106,751	50,576	26,718	455,178

	Company Other assets $'000
Cost	
At 1 January 2016	824
Additions	271
Disposals	(272)
At 31 December 2016 and 1 January 2017	823
Additions	20
Write-off	(2)
At 31 December 2017	841
Accumulated depreciation	
At 1 January 2016	702
Depreciation charge for the year	36
Disposals	(233)
At 31 December 2016 and 1 January 2017	505
Depreciation charge for the year	65
At 31 December 2017	570
Net carrying amount	
At 31 December 2017	271
At 31 December 2016	318

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 $62,845,000 (2016: $254,627,000) are mortgaged to secure the Group's bank loans (Note 19).

11. Intangible assets

Group	Goodwill $'000	Developed technology $'000	Club memberships $'000	Total $'000
Cost				
At 1 January 2016	25,572	–	–	25,572
Exchange differences	(1,065)	–	–	(1,065)
At 31 December 2016 and 1 January 2017	24,507	–	–	24,507
Addition:				
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	2,345	1,751	448	4,544
Accumulated amortisation and impairment				
At 1 January 2016, 31 December 2016 and 1 January 2017	–	–	–	–
Amortisation	–	(165)	–	(165)
Impairment loss reclassified from other investments (Note 14)	–	–	(116)	(116)
Disposal	–	–	61	61
At 31 December 2017	–	(165)	(55)	(220)
Net carrying amount				
At 31 December 2017	2,345	1,586	393	4,324
At 31 December 2016	24,507	–	–	24,507

Notes To The Financial Statements (continued)

11. Intangible assets (continued)

Company	Developed technology $'000	Club memberships $'000	Total $'000
Cost			
At 1 January 2016, 31 December 2016 and 1 January 2017	–	–	–
Addition:			
Internal development	660	–	660
Reclassified from other investments	–	370	370
At 31 December 2017	660	370	1,030
Accumulated amortisation and impairment			
At 1 January 2016, 31 December 2016 and 1 January 2017	–	–	–
Amortisation	(29)	–	(29)
At 31 December 2017	(29)	–	(29)
Net carrying amount			
At 31 December 2017	631	370	1,001
At 31 December 2016	–	–	–

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:

	2017	2016
Growth rates	**0%**	0 - 3% (a)
Pre-tax discount rate	**12%**	12%

(a) 2017: 3% and 2018 onwards: 0%

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 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 2017.

12. Subsidiaries

	Company	
	2017	2016
	$'000	$'000
Unquoted equity shares, at cost	**9,952**	9,952
Allowance for impairment	**(2,466)**	(2,466)
	7,486	7,486
Amounts due from subsidiaries	**104,956**	198,816
Amounts due to subsidiaries	**(31,393)**	(26,183)
	73,563	172,633
	81,049	180,119

The amounts due from subsidiaries are non-interest bearing, non-trade in nature, unsecured, not expected to be repaid in the next twelve months and are to be settled in cash.

Details of the subsidiaries are as follows:

	Name of subsidiaries (Country of incorporation)	**Principal activities**	**Effective shareholding held by the Group**	
			2017	2016
			%	%
(a,c)	Singapore Changshu Development Company Pte. Ltd. (Singapore)	Investment holding	**100 (f)**	90 (f)
	Pan-United Industries Pte. Ltd. (Singapore)	Trading and supply of refined petroleum products, ready mixed concrete and granite aggregate	**100**	100
(a)	United Cement Pte. Ltd. (Singapore)	Cement silo operator, cement trading and distribution	**100**	100
	PanU Harmony Pte. Ltd. (Singapore)	Trading and provision of shipping services	**100**	100
	United Bulk Shipping Pte. Ltd. (Singapore)	Provision of shipping services	**51**	51
	Pan-United Investments Pte. Ltd. (Singapore)	Investment holding	**100**	100
(c)	Xinghua Port Holdings Ltd. (Formerly known as Pan-United Infrastructure Pte. Ltd.) (Singapore)	Investment holding	**90 (f)**	100 (f)
(a)	Pan-United International Pte. Ltd. (Singapore)	Investment holding	**100**	100
(a,c)	Changshu Xinghua Port Co., Ltd. (People's Republic of China)	Operation of a port and related services	**86**	86
(a)	Pan-United Asphalt Pte. Ltd. (Singapore)	Production of asphalt, building and repairing of roadways	**100**	100
(a)	Pan-United Concrete Pte. Ltd. (Singapore)	Manufacture and supply of ready mixed concrete and related products	**100**	100
(a)	Blue Star Services Sdn. Bhd. (Malaysia)	Quarry operator	**100 (e)**	100 (e)
(a)	Pan-United Resources Pte. Ltd. (Singapore)	Investment holding and general trading	**100**	100
(a)	Pan-United Bulk Trade (2010) Pte. Ltd. (Singapore)	Investment holding and general trading	**100**	100
(a)	Resources Development (2010) Pte. Ltd. (Singapore)	Investment holding and general trading	**100**	100
(a)	PT. Pacific Granitama (Indonesia)	Quarry operator	**49 (b,e)**	80 (e)
(a)	Fico Pan-United Concrete Joint Stock Company (Vietnam)	Manufacture and supply of ready mixed concrete and related products	**55 (e)**	55 (e)

Notes To The Financial Statements (continued)

12. Subsidiaries (continued)

	Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding held by the Group	
			2017 **%**	2016 %
(a)	Raffles Cement Pte. Ltd. (Singapore)	Cement silo operator, cement trading and distribution	**49 (b)**	49 (b)
(a)	Raffles Concrete Pte. Ltd. (Singapore)	Manufacture and supply of ready mixed concrete and related products	**100**	100
(a)	Cresco Development Pte. Ltd. (Singapore)	Investment holding and general trading	**100**	100
(a)	Salvus Development Pte. Ltd. (Singapore)	Investment holding and general trading	**100**	100
(a)	PT. Pan-United Concrete (Indonesia)	Manufacture and supply of ready mixed concrete and related products	**100 (d)**	100 (d)
(a)	Meridian Maplestar Sdn. Bhd. (Malaysia)	General exploration and trading of basic building materials	**100 (e)**	100 (e)
(a,c)	Changshu Changjiang International Port Co., Ltd. (People's Republic of China)	Operation of a port and related services	**77**	77
(a)	Fortis Star Sdn. Bhd. (Malaysia)	General exploration and trading of basic building materials	**100 (e)**	100 (e)

(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 2017.

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

13. Associates

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

	Group	
	2017 **$'000**	2016 $'000
Changshu Westerlund Warehousing Co., Ltd	**5,427**	5,607
PT Lanna Harita Indonesia	**3,728**	4,196
Changshu Xinghua Transportation Co., Ltd	**–**	–
Attributable to disposal group classified as held for sale	**(5,427)**	–
Carrying amount of investments	**3,728**	9,803

Name of associates (Country of incorporation)	Principal activities	Percentage of equity interest	
		2017 **%**	2016 %
(a) 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 (d)**	25
(b) Changshu Xinghua Transportation Co., Ltd (People's Republic of China)	Provision of logistic services	**49 (d)**	49
(c) PT Lanna Harita Indonesia (Indonesia)	Coal mining	**10**	10

The associates are held by subsidiaries of the Group.

(a) Audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP in the People's Republic of China.
(b) This associate is currently dormant and not considered significant as defined under Rule 718 of the Listing Manual of SGX-ST.
(c) 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.
(d) These associates are held by subsidiaries of Xinghua Port Holdings Ltd. and was de-merged on 7 February 2018.

The summarised financial information of the material associate, not adjusted for proportion of ownership interest held by the Group, is as follows:

Summarised balance sheet	PT Lanna Harita Indonesia	
	2017	2016
	$'000	$'000
Current assets	**49,183**	31,984
Non-current assets	**25,497**	38,656
Total assets	**74,680**	70,640
Current liabilities	**29,683**	15,851
Non-current liabilities	**6,690**	8,163
Total liabilities	**36,373**	24,014
Net assets	**38,307**	46,626
Proportion of the Group's ownership	**10%**	10%
Group's share of net assets	**3,831**	4,663
Other adjustments	**(103)**	(467)
Carrying amount of the investment	**3,728**	4,196

Summarised statement of comprehensive income	PT Lanna Harita Indonesia	
	2017	2016
	$'000	$'000
Revenue	**192,368**	132,830
Profit after tax	**30,840**	8,676
Other comprehensive income	**–**	(48)
Total comprehensive income	**30,840**	8,628

14. Other investments

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'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
	3,904	4,595	**458**	984
Less: impairment	**(3,497)**	(3,613)	**(54)**	(54)
Total other investments	**407**	996	**404**	930
Movement in impairment accounts				
At 1 January	**3,613**	4,596	**54**	54
Reclassified to intangible assets (Note 11)	**(116)**	–	**–**	–
Reclassified to associates	**–**	(910)	**–**	–
Disposal	**–**	(54)	**–**	–
Written off	**–**	(19)	**–**	–
At 31 December	**3,497**	3,613	**54**	54

Notes To The Financial Statements (continued)

15. Inventories

	Group	
	2017	2016
	$'000	$'000
Balance sheet		
Raw materials	**10,247**	6,420
Finished goods	**20,237**	8,979
Consumables	**3,878**	4,794
	34,362	20,193
Income statement		
Inventories recognised as an expense in raw materials, subcontract costs and other direct costs	**436,215**	385,379

16. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade and other receivables (current)				
Trade receivables	**135,873**	138,877	**–**	–
Amount due from an associate	**–**	2,834	**–**	–
Amounts due from subsidiaries	**–**	–	**3,007**	2,803
Refundable deposits	**1,576**	1,621	**–**	–
Sundry receivables	**1,558**	2,920	**74**	9
Total trade and other receivables	**139,007**	146,252	**3,081**	2,812
Other receivables (non-current)				
Loan to a sub-contractor	**633**	933	**–**	–
	139,640	147,185	**3,081**	2,812
Add: Cash and short-term deposits (Note 18)	**63,133**	72,662	**38,637**	43,270
Total loans and receivables	**202,773**	219,847	**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.

Related party balances

Amount due from an associate is 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 (2016: $68,251,000) 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	
	2017	2016
	$'000	$'000
Trade receivables past due		
Less than 30 days	**51,661**	43,666
30 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 Individual Impaired	
	2017	2016
	$'000	$'000
Trade receivables – nominal amounts	**3,829**	4,064
Less: Allowance for impairment	**(3,829)**	(4,064)
	–	–
Movement in allowance accounts		
At 1 January	**4,064**	4,221
(Reversal)/charge for the year	**(93)**	105
Written off	**(142)**	(262)
At 31 December	**3,829**	4,064

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. These receivables are not secured by any collateral or credit enhancements.

17. 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.

18. Cash and short-term deposits

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash at banks	**80,755**	39,946	**38,637**	13,258
Short-term deposits	**296**	32,716	**–**	30,012
Attributable to disposal group classified as held for sale	**(17,918)**	–	**–**	–
Cash and short-term deposits	**63,133**	72,662	**38,637**	43,270

Cash at banks earned interest at the average of 0.20% to 0.57% (2016: 0.20%) per annum. Short-term deposits are placed for varying periods depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term deposit rates. The effective interest rate of short-term deposits ranged from 0.90% to 6.50% (2016: 0.30% to 1.49%) per annum.

19. Loans and borrowings

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current				
Secured (Note a)	**14,289**	20,381	**–**	–
Unsecured (Note b)	**27,270**	32,000	**–**	2,000
	41,559	52,381	**–**	2,000
Non-current				
Secured (Note c)	**16,342**	142,936	**–**	–
Unsecured (Note d)	**65,000**	103,000	**20,000**	78,000
	81,342	245,936	**20,000**	78,000
Total loans and borrowings	**122,901**	298,317	**20,000**	80,000

Notes To The Financial Statements (continued)

19. Loans and borrowings (continued)

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) $14,289,000 (2016: $6,133,000) is denominated in Vietnamese Dong and bears interest of 5.00% to 6.50% (2016: 6.50% to 7.00%) per annum.

(ii) In 2016, $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) $25,000,000 (2016: $30,000,000) is denominated in Singapore dollars and bears interest of 1.51% to 1.73% (2016: 1.41% to 1.86%) per annum.

(ii) $2,270,000 was denominated in Malaysia Ringgit at the interest rate of 4.85% per annum.

(iii) In 2016, $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) In 2016, $137,462,000 was denominated in Renminbi at interest rate of 4.90% to 5.39% per annum.

(ii) $16,302,000 (2016: 5,474,000) is denominated in Malaysia Ringgit and bear interest of 5.13% (2016: 5.26%) per annum. The loan is repayable between 2018 and 2021.

(iii) $40,009 is denominated in Vietnamese Dong and bear interest at 7.50% per annum. The loan is repayable in 2020.

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

(i) $65,000,000 (2016: $103,000,000) is denominated in Singapore dollars and bears interest, comprising fixed and variable components, of 1.90% to 2.50% (2016: 1.68% to 2.08%) per annum. The variable component is partially hedged using an interest rate swap (Note 25). The loans are repayable between 2018 and 2021.

	2016	Cash Flows	Non-cash changes			2017
			Reclassified as part of disposal group	Foreign exchange movement	Others	
	$'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.

20. Payables and accruals

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Payables and accruals (current)				
Trade payables	**85,086**	76,195	**–**	–
Other payables	**4,465**	20,211	**208**	530
Accruals	**9,374**	12,809	**1,158**	1,423
Total payables and accruals	**98,925**	109,215	**1,366**	1,953
Other liability (non-current)				
Advances from non-controlling interests (Note 24)	**537**	580	**–**	–
Total trade and other payables	**99,462**	109,795	**1,366**	1,953
Add: Loans and borrowings (Note 19)	**122,901**	298,317	**20,000**	80,000
Total financial liabilities carried at amortised cost	**222,363**	408,112	**21,366**	81,953

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.

21. Deferred income

	Group	
	2017	2016
	$'000	$'000
Income recognisable within 12 months		
Voyages-in-progress	**–**	380
Coal trading	**5,361**	–
Lease income	**–**	178
	5,361	558
Income recognisable thereafter		
Lease income	**–**	893
	5,361	1,451

22. Provisions

	Group Land Reinstatement Cost	
	2017	2016
	$'000	$'000
At 1 January	**4,983**	5,012
Recognised during the financial year	**547**	600
Utilised	**(796)**	(614)
Unused amounts reversed	**(301)**	(15)
At 31 December	**4,433**	4,983
Current	**1,284**	1,983
Non-current	**3,149**	3,000
	4,433	4,983

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.

Notes To The Financial Statements (continued)

23. Deferred tax

Deferred income tax as 31 December relates to the following:

	Group	
	2017	2016
	$'000	$'000
(a) Deferred tax liabilities		
Balance at beginning of year	**10,605**	9,497
Origination and reversal of temporary differences	**37**	254
Provision for withholding tax on undistributed earnings of foreign subsidiaries	**954**	854
Less: Attributable to disposal group classified as held for sale (Note 8)	**(4,605)**	–
Balance at end of year	**6,991**	10,605
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	**6,991**	6,569
Provision for withholding tax on undistributed earnings of foreign subsidiaries	**4,605**	4,036
Less: Attributable to disposal group classified as held for sale (Note 8)	**(4,605)**	–
	6,991	10,605
(b) Deferred tax assets		
Balance at beginning of year	**831**	1,062
Origination and reversal of temporary differences	**20**	(231)
Less: Attributable to disposal group classified as held for sale (Note 8)	**(376)**	–
Balance at end of year	**475**	831
The deferred tax assets principally arise as a result of		
Provisions	**475**	382
Unutilised tax losses	**376**	449
Less: Attributable to disposal group classified as held for sale (Note 8)	**(376)**	–
	475	831

Unrecognised tax losses

The Group has $1,247,000 tax losses in 2017 (2016: $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, if any, 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. The tax losses have no expiry date.

Tax consequences of proposed dividends

There are no income tax consequences (2016: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 36).

24. 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% (2016: 6.70% to 7.10%) per annum.

25. Derivatives

	Group and Company					
	2017			2016		
	Contract/ Notional amount $'000	**Asset $'000**	**Liability $'000**	Contract/ Notional amount $'000	Asset $'000	Liability $'000
Forward currency contracts	**41,250**	**–**	**1,433**	59,906	2,879	–
Interest rate swap	**50,000**	**–**	**194**	70,000	–	368
	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 USD.

The interest rate swap receives floating interest equal to 3 months SOR, and pays a fixed rate of interest of 1.79% per annum and matures 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			
	2017		2016	
	No. of shares '000	**$'000**	No. of shares '000	$'000
(a) Share capital				
At 1 January	**561,819**	**92,052**	561,819	92,052
Shares issued pursuant to rights issue	**140,177**	**59,747**	–	–
At 31 December	**701,996**	**151,799**	561,819	92,052

During the year, 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			
	2017		2016	
	No. of shares '000	**$'000**	No. of shares '000	$'000
(b) Treasury shares				
At 1 January	**(2,041)**	**(1,759)**	(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)**	(2,041)	(1,759)

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

The Company reissued 931,000 (2016: Nil) treasury shares pursuant to Scheme 2002 during the current financial year.

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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Employee share option reserve	**1,080**	1,099	**1,080**	1,099
Gain on reissuance of treasury shares	**251**	393	**251**	393
Hedging reserve	**(1,510)**	2,511	**(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)	**–**	–
	(179)	(66,885)	**(179)**	4,003

(a) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 5). 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.

Notes To The Financial Statements (continued)

28. Other reserves (continued)

	Group and Company	
	2017	2016
	$'000	$'000
At 1 January	**1,099**	837
Cost of share-based payment (share options)	**68**	262
Reissuance of treasury shares pursuant to share option scheme (Note 26b)	**(87)**	–
At 31 December	**1,080**	1,099

(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	
	2017	2016
	$'000	$'000
At 1 January	**393**	393
Loss on reissuance of treasury shares	**(142)**	–
At 31 December	**251**	393

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	
	2017	2016
	$'000	$'000
At 1 January	**(6,766)**	(2,328)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**(2,593)**	(4,438)
Attributable to disposal group classified as held for sale	**2,434**	–
At 31 December	**(6,925)**	(6,766)

30. Commitments

(a) Capital commitments

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

	Group	
	2017	2016
	$'000	$'000
Capital commitments in respect of plant and machinery	**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	
	2017	2016
	$'000	$'000
Not later than one year	**6,322**	9,794
Later than one year but not later than five years	**8,375**	9,861
Later than five years	**5,469**	6,639
	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 2017 amount to $12,080,000 (2016: $14,226,000).

(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	
	2017	2016
	$'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 in 2016 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	
	2017	2016
	$'000	$'000
Transactions with associates		
Discharging fee income	**23,853**	22,192
Wharfage fee income	**6,917**	6,739
Warehousing service income	**4,875**	4,866
Management income	**110**	114
Miscellaneous income	**821**	799

(b) Compensation of key management personnel

	Group	
	2017	2016
	$'000	$'000
Short-term employee benefits	**3,298**	3,253
Central Provident Fund contributions	**72**	65
	3,370	3,318
Comprise amounts paid to	**1,308**	1,388
Directors of the Company	**2,062**	1,930
Other key management personnel	**3,370**	3,318

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, 750,000 share options were granted to non-executive directors at an exercise price of $0.55 each and exercisable between 8 December 2018 and 7 December 2022 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.

(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 by level of fair value hierarchy:

		Group				Company			
		2017 $'000		2016 $'000		**2017 $'000**		2016 $'000	
		Quoted prices in active markets for identical instruments	**Significant other observable inputs**	Quoted prices in active markets for identical instruments	Significant other observable inputs	**Quoted prices in active markets for identical instruments**	**Significant other observable inputs**	Quoted prices in active markets for identical instruments	Significant other observable inputs
	Notes	**Level 1**	**Level 2**	Level 1	Level 2	**Level 1**	**Level 2**	Level 1	Level 2
Financial assets									
Held for trading investments									
Quoted equity instruments	14	–	–	14	–	–	–	–	–
Derivatives									
Forward currency contracts	25	–	–	–	2,879	–	–	–	2,879
		–	–	14	2,879	–	–	–	2,879
Financial liabilities:									
Derivatives									
Forward currency contracts	25	–	1,443	–	–	–	1,433	–	–
Interest rate swap	25	–	194	–	368	–	194	–	368
		–	1,627	–	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.

(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			
		2017 $'000		2016 $'000		**2017 $'000**		2016 $'000	
	Notes	**Carrying amount**	**Fair value**	Carrying amount	Fair value	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets									
Available-for-sale investments, net	14	407	(i)	996	(i)	404	(i)	930	(i)
Amounts due from subsidiaries, net	12	–	–	–	–	73,563	(ii)	172,633	(ii)

(i) Available-for-sale investments carried at cost (Note 14)

Fair value information has 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 are not quoted on any market and do 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 is significant. The Group does not intend to dispose these investments in the foreseeable future.

(ii) Amounts due from subsidiaries carried at cost (Note 12)

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

33. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivative financial instruments, comprise bank loans, 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, liquidity risk, foreign currency risk and credit 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 and commercial papers.

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**
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**
2016		
Singapore Dollar	+100	(1,350)
Vietnamese Dong	+100	(61)
Malaysia Ringgit	+100	(55)
Singapore Dollar	-100	1,350
Vietnamese Dong	-100	61
Malaysia Ringgit	-100	55

Notes To The Financial Statements (continued)

33. Financial risk management objectives and policies (continued)

(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, US Dollar (USD), Malaysia Ringgit (MYR), Indonesian Rupiah (IDR), Renminbi (RMB) and Vietnamese Dong (VND). The foreign currency in which these transactions are denominated in, is mainly USD. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group and the Company 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 $12,138,000 and $7,677,000 for the Group and the Company respectively.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's investments in subsidiaries in the People's Republic of China, Malaysia and Vietnam are partly hedged by borrowings denominated in RMB, MYR and VND respectively.

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 and SGD exchange rates (against the respective functional currencies of the Group entities), with all other variables held constant.

		Group	
		Profit before tax	
		2017	2016
		$'000	$'000
SGD/USD	– strengthened 3% (2016: 3%)	**-1**	-3
	– weakened 3% (2016: 3%)	**+1**	+3
USD/SGD	– strengthened 3% (2016: 3%)	**+487**	+84
	– weakened 3% (2016: 3%)	**-487**	-84

(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.

Exposure to credit risk

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 16.

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			
	2017		2016	
	$'000	**% of total**	$'000	% of total
By business segments				
Concrete and Cement	**130,937**	**96**	119,130	86
Trading and Shipping	**4,936**	**4**	358	–
Ports	**–**	**–**	19,389	14
	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 amounts due from top 3 major customers amounted to approximately 10% (2016: 11%) of the Group's trade receivables. However, 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 16 (Trade and other receivables) and Note 14 (Other investments).

(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 reporting period, 34% (2016: 18%) of the Group's loans and borrowings (Note 19) 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.

	2017				2016			
	Less than 1 year $'000	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**	Less than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group								
Financial assets								
Other investments	**–**	**–**	**407**	**407**	–	–	996	996
Trade and other receivables	**139,007**	**633**	**–**	**139,640**	146,252	933	–	147,185
Cash and short-term deposits	**63,133**	**–**	**–**	**63,133**	72,662	–	–	72,662
Total undiscounted financial assets	**202,140**	**633**	**407**	**203,180**	218,914	933	996	220,843
Financial liabilities								
Payables and accruals	**98,925**	**–**	**–**	**98,925**	109,215	–	–	109,215
Loans and borrowings	**43,943**	**84,302**	**–**	**128,245**	63,099	233,659	25,747	322,505
Other liability	**–**	**–**	**537**	**537**	–	–	580	580
Total undiscounted financial liabilities	**142,868**	**84,302**	**537**	**227,707**	172,314	233,659	26,327	432,300
Total net undiscounted financial assets/(liabilities)	**59,272**	**(83,669)**	**(130)**	**(24,527)**	46,600	(232,726)	(25,331)	(211,457)
Company								
Financial assets								
Trade and other receivables	**3,081**	**–**	**–**	**3,081**	2,812	–	–	2,812
Cash and short-term deposits	**38,637**	**–**	**–**	**38,637**	43,270	–	–	43,270
Amounts due from subsidiaries (Note 12)	**–**	**–**	**104,956**	**104,956**	–	–	198,816	198,816
Total undiscounted financial assets	**41,718**	**–**	**104,956**	**146,674**	46,082	–	198,816	244,898
Financial liabilities								
Payables and accruals	**1,366**	**–**	**–**	**1,366**	1,953	–	–	1,953
Loans and borrowings	**500**	**21,364**	**–**	**21,864**	4,214	83,959	–	88,173
Amounts due to subsidiaries (Note 12)	**–**	**–**	**31,393**	**31,393**	–	–	26,183	26,183
Total undiscounted financial liabilities	**1,866**	**21,364**	**31,393**	**54,623**	6,167	83,959	26,183	116,309
Total net undiscounted financial assets/(liabilities)	**39,852**	**(21,364)**	**73,563**	**92,051**	39,915	(83,959)	172,633	128,589

Notes To The Financial Statements (continued)

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 2017 and 31 December 2016.

As disclosed in Note 27, a subsidiary of the Group is required by the Foreign Enterprise Law of the People's Republic of China (PRC) to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2017 and 31 December 2016.

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	
	2017	2016
	$'000	$'000
Net debt	**169,847**	225,655
Total equity	**367,909**	310,646
Net gearing ratio	**0.46**	0.73

The Group did not breach any gearing covenants during the financial years ended 31 December 2017 and 31 December 2016.

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 mixed 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	Group $'000
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

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
2016				
Revenue				
External sales	577,639	34,682	–	612,321
Total revenue	577,639	34,682	–	612,321
Results				
Segment results	26,089	1,514	(2,388)	25,215
Interest income	260	–	30	290
Depreciation expenses	(12,932)	–	(170)	(13,102)
Interest expense	(918)	–	(2,388)	(3,306)
Share of results of associates	–	–	850	850
Profit/(loss) before income tax	12,499	1,514	(4,066)	9,947
Income tax expense	(1,842)	(236)	321	(1,757)
Profit/(loss) for the year	10,657	1,278	(3,745)	8,190
Attributable to				
Equity holders of the Company	9,806	584	(3,745)	6,645
Non-controlling interests	851	694	–	1,545
	10,657	1,278	(3,745)	8,190
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**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Singapore	**627,844**	728,720	**112,137**	113,880
China	**57,833**	–	**–**	308,141
Others	**145,815**	102,562	**83,281**	70,227
Eliminations	**(202,171)**	(218,961)	**–**	–
Total	**629,321**	612,321	**195,418**	492,248

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

36. Dividends

	Group and Company	
	2017	2016
	$'000	$'000
Declared and paid during the year		
Dividends on ordinary shares		
Final exempt (one-tier) dividend for 2016: 2.75 cents (2015: 2.75 cents) per share	**15,414**	15,394
Interim exempt (one-tier) dividend for 2017: 0.50 cents (2016: 1.00 cent) per share	**3,505**	5,598
	18,919	20,992
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 2017: 0.80 cents (2016: 2.75 cents) per share	**5,607**	15,414
Dividend per share (in cents)	**1.30**	3.75

37. Events occurring after the reporting period

On 7 February 2018 the Company lodged the Order of Court approving the Proposed Capital Reduction and Proposed Distribution with the Accounting and Corporate Regulatory Authority of Singapore ("ACRA").

Following the lodgement of the Order of Court with ACRA, all conditions described in the Circular issued by the Company on 21 September 2017 in relation to, inter alia, the Proposed De-merger, the Proposed Capital Reduction and Proposed Distribution and the Proposed Listing have been fulfilled; and the Proposed Capital Reduction and Proposed Distribution that was approved by Shareholders at the Extraordinary General Meeting on 13 October 2017 has taken effect.

Pursuant to the Capital Reduction and Distribution, the Share capital of the Company was reduced by $139,154,000 on 7 February 2018 and the Ports business under Xinghua Port Holdings Ltd. was de-merged on the same day (Note 8).

38. Authorisation of financial statements

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 23 March 2018.

STATISTICS OF SHAREHOLDINGS

As at 6 March 2018

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

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	9	0.08	266	-
100 - 1,000	3,178	28.19	3,084,433	0.44
1,001 - 10,000	6,007	53.29	26,188,470	3.74
10,001 - 1,000,000	2,051	18.20	91,444,873	13.05
1,000,001 and above	27	0.24	580,167,783	82.77
	11,272	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 6 March 2018, approximately 24.90% 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	212,561,275	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	50,543,711	7.21
4.	Patrick Ng Bee Soon	34,962,037	4.99
5.	DBS Nominees (Private) Limited	28,180,084	4.02
6.	HSBC (Singapore) Nominees Pte Ltd	17,667,899	2.52
7.	Ng Han Whatt	6,750,000	0.96
8.	DB Nominees (Singapore) Pte Ltd	3,901,000	0.56
9.	UOB Kay Hian Private Limited	3,057,950	0.44
10.	Lee Cheong Seng	2,500,000	0.36
11.	OCBC Securities Private Limited	2,442,225	0.35
12.	Kor Tor Khoon	2,333,800	0.33
13.	McGregor Annabel Margaret	2,250,000	0.32
14.	United Overseas Bank Nominees (Private) Limited	2,187,760	0.31
15.	OCBC Nominees Singapore Private Limited	2,071,405	0.29
16.	DBS Vickers Securities (Singapore) Pte Ltd	1,854,050	0.26
17.	Lee Boon Wah	1,850,000	0.26
18.	Phua Bah Lee	1,831,250	0.26
19.	Ch'ng Jit Koon	1,810,000	0.26
20.	Tan Wai See	1,589,500	0.23
		571,593,946	81.55

* Ordinary shares purchased and held as treasury shares by the Company will have no voting rights. As at 6 March 2018, 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 percentage is calculated based on the number of issued ordinary shares of the Company as at 6 March 2018, excluding 1,110,000 shares held as treasury shares as at that date.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 26th 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 Thursday, 26 April 2018 at 2.00 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 2017, 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 2017. **Resolution 2**

3. To re-elect Mr Cecil Vivian Richard Wong, a director who will retire by rotation in accordance with Regulation 89 of the Constitution of the Company (Constitution) and who, being eligible, has offered himself for re-election.
[See Explanatory Note 1] **Resolution 3**

4. To note the retirement of Mr Phua Bah Lee as a director under Regulations 89 and 90 of the Constitution, who is not seeking re-election. Upon the retirement of Mr Phua Bah Lee, he will cease to be a member of the Nominating Committee and the Remuneration Committee.

5. To approve the payment of directors' fees of $435,890 for the financial year ending 31 December 2018 (2017: $520,000). **Resolution 4**

6. To re-appoint Ernst & Young LLP as the auditor of the Company for the financial year ending 31 December 2018 and to authorise the directors to fix their remuneration. **Resolution 5**

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:

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] **Resolution 6**

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:

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 10 per centum (10%) 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] **Resolution 7**

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
29 March 2018

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 Cecil Vivian Richard Wong as a director of the Company.

   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.

   Mr Cecil Vivian Richard Wong (Independent Director) has consented to his re-election as a director of the Company. If re-elected, he will remain as Chairman of the Audit Committee and a member of the Remuneration Committee. Mr Wong is considered independent for the purposes of Rule 704(8) of the Listing Manual.

2. Resolution 6, if passed, will empower the directors of the Company, from the date of the passing of Resolution 6 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 6.

   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 7, 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 7. Please refer to the letter to Shareholders dated 29 March 2018 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 Shares 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.

Pan-United Corporation Ltd
(Company Registration No. 199106524G)

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