

PAN-UNITED CORPORATION LTD

(Company Reg No: 199106524G)

FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019
PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

- 1(a) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

CONSOLIDATED INCOME STATEMENT			
	1Q 2019	1Q 2018	+ / (-)
	\$'000	\$'000	%
Revenue	195,956	214,243	(9)
Other income	720	694	4
Raw materials, subcontract cost and other direct costs	(167,376)	(191,246)	(12)
Staff costs	(10,188)	(9,202)	11
Depreciation and amortisation expenses	(6,105)	(3,983)	53
Other expenses	(8,502)	(10,173)	(16)
Finance costs	(1,404)	(1,038)	35
	3,101	(705)	nm
Share of results of associates	289	888	(67)
Profit before income tax from continuing operations	3,390	183	nm
Income tax expense	(893)	(125)	nm
Profit from continuing operations, net of tax	2,497	58	nm
Discontinued operations			
Profit from discontinued operations, net of tax	-	1,007	(100)
Profit for the period, net of tax	2,497	1,065	134
Attributable to:			
Equity holders of the Company			
Profit from continuing operations, net of tax	2,435	30	nm
Profit from discontinued operations, net of tax	-	878	(100)
	2,435	908	168
Non-controlling interests			
Profit from continuing operations, net of tax	62	28	121
Profit from discontinued operations, net of tax	-	129	(100)
	62	157	(61)
	2,497	1,065	134

nm: Not meaningful

The discontinued operations comprised the results from the Ports business, under Xinghua Port Holdings Ltd (Xinghua), which was de-merged on 7 February 2018, as a separate entity. The de-merger was effected through a capital reduction of the Company and a distribution in specie of all the shares in Xinghua, held by the Company, to its shareholders.

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year. (continued)

A. Profit before income tax is arrived at after crediting/(charging) the following:	1Q 2019 \$'000	1Q 2018 \$'000	+ / (-) %
Interest income	90	73	23
Interest expense	(1,320)	(971)	36
(Impairment loss)/reversal of impairment loss on trade receivables	(185)	7	nm
Foreign exchange loss	(282)	(383)	(26)
Gain on disposal of property, plant and equipment	3	32	(91)
Write-off of property, plant and equipment	(103)	(5)	nm

B. The increase in interest expense was largely due to the recognition of lease liabilities following the adoption of SFRS(I) 16 as disclosed in paragraph 5.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
	1Q 2019 \$'000	1Q 2018 \$'000	+ / (-) %
Profit for the period, net of tax	2,497	1,065	134
Other comprehensive income:			
Foreign currency translation	507	3,362	85
Fair value changes of derivatives	(361)	(48)	nm
Other comprehensive income for the period, net of tax	146	3,314	96
Total comprehensive income for the period	2,643	4,379	40
Attributable to:			
Equity holders of the Company	2,594	3,945	(34)
Non-controlling interests	49	434	(89)
Total comprehensive income for the period	2,643	4,379	(40)
Attributable to equity holders of the Company:			
Total comprehensive income from continuing operations, net of tax	2,594	960	170
Total comprehensive income from discontinued operations, net of tax	-	2,985	(100)
Total comprehensive income for the period attributable to equity holders of the Company	2,594	3,945	(34)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

BALANCE SHEETS	Group		Company	
	31-Mar-19 \$'000	31-Dec-18 \$'000	31-Mar-19 \$'000	31-Dec-18 \$'000
Non-current assets				
Property, plant and equipment	201,948	180,052	239	248
Intangible assets	4,813	4,888	370	370
Subsidiaries	-	-	92,552	92,552
Associates	3,367	3,078	-	-
Other investments	407	407	404	404
Trade and other receivables	634	665	-	-
Deferred tax assets	681	679	-	-
	<u>211,850</u>	<u>189,769</u>	<u>93,565</u>	<u>93,574</u>
Current assets				
Inventories	24,026	22,293	-	-
Prepayments	2,920	1,825	387	305
Trade and other receivables	140,885	149,389	19,022	22,487
Derivatives	62	423	62	423
Other assets	11,025	10,259	-	-
Cash and short-term deposits	60,204	47,894	37,049	27,681
	<u>239,122</u>	<u>232,083</u>	<u>56,520</u>	<u>50,896</u>
Current liabilities				
Loans and borrowings	83,309	62,274	-	-
Payables and accruals	73,873	76,442	23,998	17,760
Deferred income	5,681	5,244	-	-
Provisions	1,076	1,163	-	-
Income tax payable	2,495	2,021	32	32
Derivatives	-	-	-	-
	<u>166,434</u>	<u>147,144</u>	<u>24,030</u>	<u>17,792</u>
Net current assets	<u>72,688</u>	<u>84,939</u>	<u>32,490</u>	<u>33,104</u>
Non-current liabilities				
Loans and borrowings	71,290	64,192	19,807	19,787
Deferred tax liabilities	7,719	7,704	-	-
Other liabilities	533	539	-	-
Provisions	3,999	3,949	-	-
	<u>83,541</u>	<u>76,384</u>	<u>19,807</u>	<u>19,787</u>
Net assets	<u>200,997</u>	<u>198,324</u>	<u>106,248</u>	<u>106,891</u>
Equity attributable to equity holders of the Company				
Share capital	12,645	12,645	12,645	12,645
Treasury shares	(957)	(957)	(957)	(957)
Reserves	182,476	179,852	94,560	95,203
	<u>194,164</u>	<u>191,540</u>	<u>106,248</u>	<u>106,891</u>
Non-controlling interests	6,833	6,784	-	-
Total equity	<u>200,997</u>	<u>198,324</u>	<u>106,248</u>	<u>106,891</u>

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year. (continued)

Explanatory Notes to Balance Sheets

Property, plant and equipment increased due mainly to recognition of right-of-use assets arising from the adoption of SFRS(I) 16 Leases.

The decrease in trade and other receivables is due to the decrease in revenue and shorter collection days, which contributed to the increase in cash and short-term deposits.

Loans and borrowings are higher, largely due to the recognition of lease liabilities arising from the adoption of SFRS(I) 16 Leases. Comparing between 31 December 2018 and 31 March 2019, our net gearing had reduced (assuming the SFRS(I) 16 Leases was not adopted).

1(b)(ii) In relation to the aggregate amount of group's borrowings and debts securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

	As of 31 Mar 2019		As of 31 Dec 2018	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand	31,924	51,385	21,086	41,188
Amount repayable after one year	31,669	39,621	14,603	49,589

Details of any collateral

Certain short and long-term bank loans are secured by mortgages over certain assets of foreign subsidiaries. As at 31 March 2019, the outstanding upfront fees of \$379,000 were netted off against non-current unsecured bank loans.

Included in secured borrowings are lease liabilities which are secured over right-of-use assets included under property, plant and equipment.

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

CONSOLIDATED CASH FLOW STATEMENTS	1Q 2019	1Q 2018
	\$'000	\$'000
Cash flows from operating activities		
Profit before income tax from continuing operations	3,390	183
Profit from discontinued operations	-	1,485
Adjustments for		
Depreciation expenses	6,030	4,775
Amortisation of intangible assets	75	53
Amortisation of upfront fees	32	-
Interest income	(90)	(73)
Interest expense	1,320	971
Gain on disposal of property, plant and equipment	(3)	(32)
Impairment loss/(reversal of impairment loss) on trade receivables	185	(7)
Write-down of inventories	-	62
Reversal of provisions	(32)	(233)
Write-off of property, plant and equipment	103	5
Fair value changes of derivatives	-	(86)
Share-based payment expenses	30	50
Share of results of associates	(289)	(1,073)
Foreign exchange differences	131	242
Operating cash flows before working capital changes	10,882	6,322
Decrease/(Increase) in		
Trade and other receivables	8,350	3,971
Prepayments	(1,095)	(866)
Inventories	(1,733)	12,297
Other assets	(766)	(1,513)
Increase/(Decrease) in		
Payables, accruals and provisions	(2,624)	(5,475)
Deferred income	437	(5,364)
Cash flows from operations	13,451	9,372
Interest paid	(1,320)	(971)
Income tax paid	(406)	(1,577)
Interest received	90	73
Net cash flows from operating activities	11,815	6,897
Cash flows from investing activities		
Purchase of property, plant and equipment	(796)	(4,188)
Additions to intangible assets	-	(110)
Proceeds from disposal of property, plant and equipment	9	32
Net cash outflow on de-merger of subsidiaries	-	(3,820)
Net cash flows used in investing activities	(787)	(8,086)
Cash flows from financing activities		
Proceeds from bank borrowings	26,029	9,515
Repayment of bank borrowings	(23,010)	(36,081)
Repayment of lease liabilities	(1,643)	-
Net cash flows from/(used in) financing activities	1,376	(26,566)
Net increase/(decrease) in cash and cash equivalents	12,404	(27,755)
Cash and cash equivalents as at beginning of period	47,894	63,133
Effects of exchange rate changes on opening cash and cash equivalents	(94)	(228)
Cash and cash equivalents as at end of period	60,204	35,150

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENTS OF CHANGES IN EQUITY	Attributable to equity holders of the Company								Non-controlling interests	Total Equity
	Share capital	Treasury shares	Statutory reserve	Foreign currency translation reserve	Retained earnings	Other reserves	Reserves of disposal group			
							classified as held for sale	Total reserves		
GROUP	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2019	12,645	(957)	-	(1,586)	142,479	38,959	-	179,852	6,784	198,324
Total comprehensive income for the period	-	-	-	520	2,435	(361)	-	2,594	49	2,643
Cost of share-based payment (share options)	-	-	-	-	-	30	-	30	-	30
Balance at 31 March 2019	12,645	(957)	-	(1,066)	144,914	38,628	-	182,476	6,833	200,997
Balance at 1 January 2018, as previously reported	151,799	(957)	-	(6,925)	148,242	(179)	36,914	178,052	39,015	367,909
Effect on adoption of SFRS (I)	-	-	-	6,228	(6,228)	-	-	-	-	-
Total comprehensive income for the period	-	-	-	978	30	(48)	2,985	3,945	434	4,379
Cost of share-based payment (share options)	-	-	-	-	-	50	-	50	-	50
Distribution in specie	-	-	-	-	-	37,154	(39,899)	(2,745)	(32,513)	(35,258)
Capital reduction	(139,154)	-	-	-	-	-	-	-	-	(139,154)
Balance at 31 March 2018	12,645	(957)	-	281	142,044	36,977	-	179,302	6,936	197,926

(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (continued)

COMPANY	Share capital	Treasury shares	Retained earnings	Other reserves	Total reserves	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2019	12,645	(957)	56,244	38,959	95,203	106,891
Total comprehensive income for the period	-	-	(312)	(361)	(673)	(673)
Cost of share-based payment (share options)	-	-	-	30	30	30
Balance at 31 March 2019	12,645	(957)	55,932	38,628	94,560	106,248
Balance at 1 January 2018	151,799	(957)	53,320	(179)	53,141	203,983
Total comprehensive income for the period	-	-	(169)	(48)	(217)	(217)
Cost of share-based payment (share options)	-	-	-	50	50	50
Distribution in specie	-	-	-	37,154	37,154	37,154
Capital reduction	(139,154)	-	-	-	-	(139,154)
Balance at 31 March 2018	12,645	(957)	53,151	36,977	90,128	101,816

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, shares buy-backs, exercise of shares options or warrants conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the corresponding period of the immediately preceding financial year.

	1Q 2019 ended 31-Mar-19	1Q 2018 ended 31-Mar-18
Issued share capital		
Issued and fully paid ordinary shares: As at beginning and end of period	701,995,825	701,995,825
Treasury shares		
As at beginning and end of period	1,110,000	1,110,000
Total number of issued shares excluding treasury shares	700,885,825	700,885,825

There were no share buyback and no new shares issued during the quarter ended 31 March 2019.

	As at 31-Mar-19	As at 31-Mar-18
The number of shares that may be issued on exercise of share options outstanding at the end of the period	12,898,800	12,377,200

1(d)(iii) To show the total number of issued shares excluding treasury shares as at end of the current financial period and as at the end of the immediately preceding year.

	As at 31-Mar-19	As at 31-Dec-18
Total number of issued shares	701,995,825	701,995,825
Treasury shares	1,110,000	1,110,000
Total number of issued shares excluding treasury shares	700,885,825	700,885,825

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at end of the current financial period reported on.

There were no sales, transfers, disposals, cancellations and/or use of treasury shares for the quarter ended 31 March 2019.

1(d)(v) Subsidiary holdings.

There were no subsidiary holdings as at the end of the current financial period reported on.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our auditors, Messrs Ernst & Young LLP.

3 Where the figures have been audited or reviewed, the auditor's report (including any qualification of emphasis of matter).

Not applicable.

4 Where the same accounting policies and methods of computation as in the issuers' most recently audited annual financial statements have been applied.

Except as disclosed in item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those of the audited financial statements for the year ended 31 December 2018.

5 If there are any changes in accounting policies and methods of computation, including any required by an accounting standard, what has changed as well as the reasons for and the effect of the change.

The Group has adopted the new Singapore Financial Reporting Framework (International) (SFRS(I)) 16 Leases that is effective for the financial period beginning 1 January 2019. Under SFRS(I) 16, a lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The accounting for lessors has not changed significantly.

The Group recognises its existing operating lease arrangements as ROU assets with corresponding lease liabilities and measures lease liabilities based on the remaining lease payments discounted using the incremental borrowing rate as at the date of initial application, 1 January 2019. The Group applied the practical expedient to recognise amounts of ROU assets equal to its lease liabilities on 1 January 2019 and recognition exemptions for short-term leases and leases of low value items in accordance with SFRS(I) 16. The Group presents the ROU assets as part of property, plant and equipment.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for the preference dividends.

	Quarter		
	ended 31 March		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Earnings per share from continuing operations attributable to equity holders of the Company			
Based on weighted average number of ordinary shares in issue (in cents)	0.3474	0.0042	nm
On a fully diluted basis (in cents)	0.3474	0.0042	nm

- 7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on (b) immediately preceding financial year.**

	<u>Group</u>	<u>Company</u>
Net asset value per ordinary share based on Issued share capital at 31 March 2019 (in cents)	27.7	15.2
Net asset value per ordinary share based on Issued share capital at 31 December 2018 (in cents)	27.3	15.3

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Year to date 2019 Performance

The Ports business, under Xinghua Port Holdings Ltd, was de-merged as a separate entity on 7 February 2018. The results of the Ports business and its comparatives are presented separately in the income statement under "Discontinued Operations".

The Group registered a lower revenue mainly due to lower volume of trading business. The Concrete and Cement (C&C) business has however experienced 11% year-on-year (yoy) volume growth and has benefitted from the improvement in selling price of ready-mix concrete (RMC) in Singapore. Based on the Building and Construction Authority's reports, the average prices of RMC improved by about 6.6% from January 2018 to February 2019.

The EBITDA from continuing business more than doubled yoy, primarily due to the improvement in the C&C business.

Depreciation and amortisation expenses increased by 53% yoy mainly due to the recognition of right-of-use assets following the adoption of SFRS(I) 16 Leases as disclosed in paragraph 5.

The Group registered a net attributable profit of \$2.4 million from continuing operations in 1Q2019 as compared to \$0.03 million in 1Q2018.

- 9 **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Singapore construction sector grew 1.4 per cent in the first quarter of 2019, expanding for the first time in 10 quarters. The Monetary Authority of Singapore expects the construction sector to stay on the recovery path for the rest of 2019, given a recovery in contracts awarded since the second half of 2017. Industrial projects such as the upcoming developments at Punggol Digital District and Bulim, Integrated Waste Management Facility, as well as civil engineering projects such as the Jurong Regional Line and Changi Airport Terminal 5 should boost the construction sector. This surge in construction activity will be supported by the redevelopment of en-bloc residential sites and institutional building activities.

According to Trading Economics, Vietnam recorded a gross domestic product of VND 34,336 billion from the construction sector in the first sector of 2019. Moving forward, Vietnam continues with the construction of development master plans and will prioritise national backbone infrastructure systems. These include expressways, railways and inland waterways, along with integrated regional infrastructure that promotes economic development.

In Malaysia, the East Coast Rail Link project and Bandar Malaysia development have been revived, potentially adding RM88 billion worth of order book replenishment opportunities, according to AllianceDBS Research. The Malaysian government has also re-negotiated and approved 121 infrastructure projects valued at RM13.93 billion nationwide.

11 If a decision regarding dividend has been made:

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

(c) Date payable:

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommendeded, a statement to that effect.

The Company usually reviews its dividend policy semi-annually. As such, no dividend has been declared or recommended for the financial period ended 31 March 2019.

13 If the Group has obtained a general mandate from shareholders for interested person transactions ('IPT), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for interested person transactions.

14 Negative confirmation pursuant to Rule 705(5).

CONFIRMATION PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited consolidated financial results for the quarter ended 31 March 2019 to be false or misleading.

- 15 **Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1) of the SGX Listing Manual.**

CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720 (1) of the SGX Listing Manual.

BY ORDER OF THE BOARD

Kevin Cho
Company Secretary
09 May 2019