Beyond Our Horizon

PanUnited

Annual Report 2011

Corporate Profile

Pan-United Corporation Ltd is one of Asia's modern and dynamic enterprises with an integrated logistics and resource development business.

The Group operates three core businesses – Basic Building Materials, Shipping and Port & Logistics – in Asia.

The *Basic Building Materials* division is the largest cement and ready mixed concrete supplier in Singapore and one of the leading quarry operators in South East Asia, with strength in resource development. It produces and supplies basic building materials, namely cement, aggregate products, ready mixed concrete and refined petroleum products, to major public infrastructure and private sector projects in Singapore.

The Group's *Shipping* division is specialized in bulk cargo transportation for over 30 years. Its fleet of young tugboats & barges ply South East Asia, and has a strong record as a reliable mover and supplier of natural resources like coal, gypsum, sand and aggregates.

The *Port & Logistics* division owns and operates Changshu Xinghua Port, a multi-purpose port, which is strategically located at the gateway to the dynamic Yangtze River Delta. Xinghua Port, which began operations in 1997, has grown rapidly to become one of China's top 10 river ports and a leading hub for steel, logs and pulp & paper cargoes. This modern and efficiently managed port has a total berth length of 1.7 km to handle ocean-going vessels up to 100,000 dwt. It provides value-added services like cargo handling, stevedoring, warehousing and third-party logistics.

Beyond Our Horizon

We are moving ahead to grow our earnings capacity for the long term. It means we have to go beyond our horizon - to build new markets for our core businesses, innovate further our products and services, and prepare for the new opportunities and challenges.

Dividend yield for 2011
8.0%

Return on equity for 2011
10.5%

Group Financial Summary

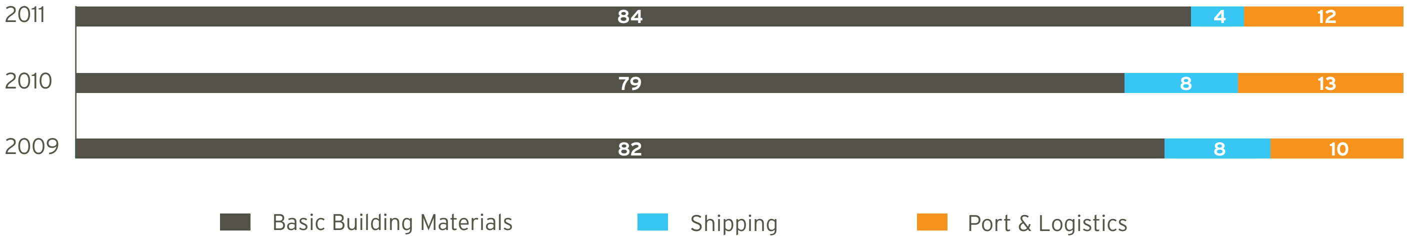
	2011 $'000	2010 $'000	Increase/ (decrease) %
For the year			
Revenue	**512,679**	391,392	31
Profit			
From operations	**52,462**	35,072	50
Before interest expense, income tax and non-controlling interests	**53,888**	36,543	47
Before income tax and non-controlling interests	**49,258**	31,658	56
After income tax before non-controlling interests	**38,438**	27,356	41
After income tax and non-controlling interests	**30,356**	20,275	50
Interest expense	**4,630**	4,885	(5)
Interest cover (times)	**11.6**	7.5	55
Dividend, paid and proposed	**19,461**	16,664	17
Dividend cover (times)	**1.6**	1.2	33
At year end			
Shareholders' funds	**298,167**	281,664	6
Non-controlling interests	**42,841**	37,098	15
Capital employed	**341,008**	318,762	7
Total assets	**527,894**	490,043	8
Total liabilities	**186,886**	171,281	9
Per share			
Basic earnings (in cents) (note 1)			
Before income tax and non-controlling interests	**8.8**	5.7	54
After income tax and non-controlling interests	**5.5**	3.7	49
Diluted earnings (in cents) (note 2)			
Before income tax and non-controlling interests	**8.8**	5.7	54
After income tax and non-controlling interests	**5.4**	3.7	46
Net operating cashflows (in cents) (note 3)	**10.1**	5.6	80
Dividend (in cents)	**3.5**	3.0	17
Net asset value as at 31 December (in cents)	**53.6**	50.7	6
Return on shareholders' fund (note 4)	**10.5%**	7.2%	46
Return on vessels, property, plant and equipment (note 4)	**11.3%**	7.5%	51
Net gearing ratio (note 4)			
Based on shareholders' fund	**–**	1.8%	–
Based on capital employed	**–**	1.6%	–

Notes
1 The calculation for basic earnings per share is based on 556,948,493 (2010: 554,459,461) weighted average number of shares in issue during the year.
2 The calculation for diluted earnings per share is based on 557,165,286 (2010: 554,814,024) weighted average number of shares in issue during the year.
3 Net operating cash flows are net cash flows from operating activities after the payment of interest and income tax but before investing and financing activities.
4 In calculating return on shareholders' funds, return on vessels, property, plant and equipment and net gearing ratio, the average basis has been used.

Segmental Information

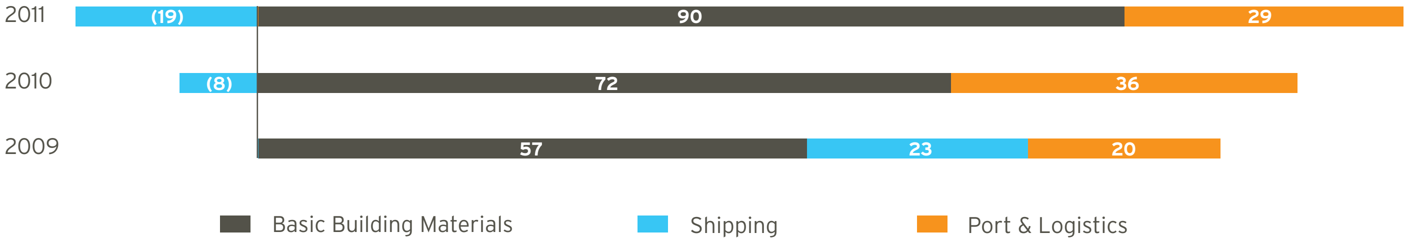
Revenue ($'m)	2011	2010
Basic Building Materials	**432.63**	308.59
Shipping	**21.45**	29.81
Port & Logistics	**58.59**	52.99
	512.67	391.39

Revenue Breakdown (%)



Profit After Tax & Non-controlling Interests ($'m)	2011	2010
Basic Building Materials	**27.71**	13.99
Shipping	**(5.82)**	(1.46)
Port & Logistics	**8.81**	6.97
Others	**(0.34)**	0.77
	30.36	20.27

Profit after Tax & Non-controlling Interests Breakdown (excluding Others) (%)



Value Added Statement

	2011 $'000	2010 $'000
Value added from		
Revenue earned	**512,679**	391,392
Less bought in materials and services	**(409,430)**	(317,483)
Gross value added	**103,249**	73,909
Other non-operating income/(expense)		
Interest, investment income and other income	**6,581**	7,177
Share of results of associated companies	**1,536**	1,621
Foreign exchange loss	**(457)**	(567)
Total Group's value added	**110,909**	82,140
Distribution of Group's value added		
To providers of capital on		
Interest expense	**4,630**	4,885
Dividends to non-controlling interests	**7,032**	6,309
Dividends to shareholders, paid and proposed	**19,461**	16,661
	31,123	27,855
To employees in wages, salaries and benefits	**28,618**	18,520
To government in income and other taxes	**18,656**	12,660
	78,397	59,035
Balance retained in business		
Depreciation expenses	**21,024**	19,286
Non-controlling interests	**1,050**	772
Retained profit for the year	**10,895**	3,614
	32,969	23,672
Non-productive item	**(457)**	(567)
	110,909	82,140
Gross productive analysis		
Number of employees	**943**	704
Value added per employee ($'000)	**117.6**	116.7
Value added per employee costs ($)	**3.9**	4.4
Value added per dollar revenue (cents)	**20**	20
Value added per dollar investment in vessels, property, plant and equipment (cents)	**40**	30

Corporate Structure

as at 31 December 2011

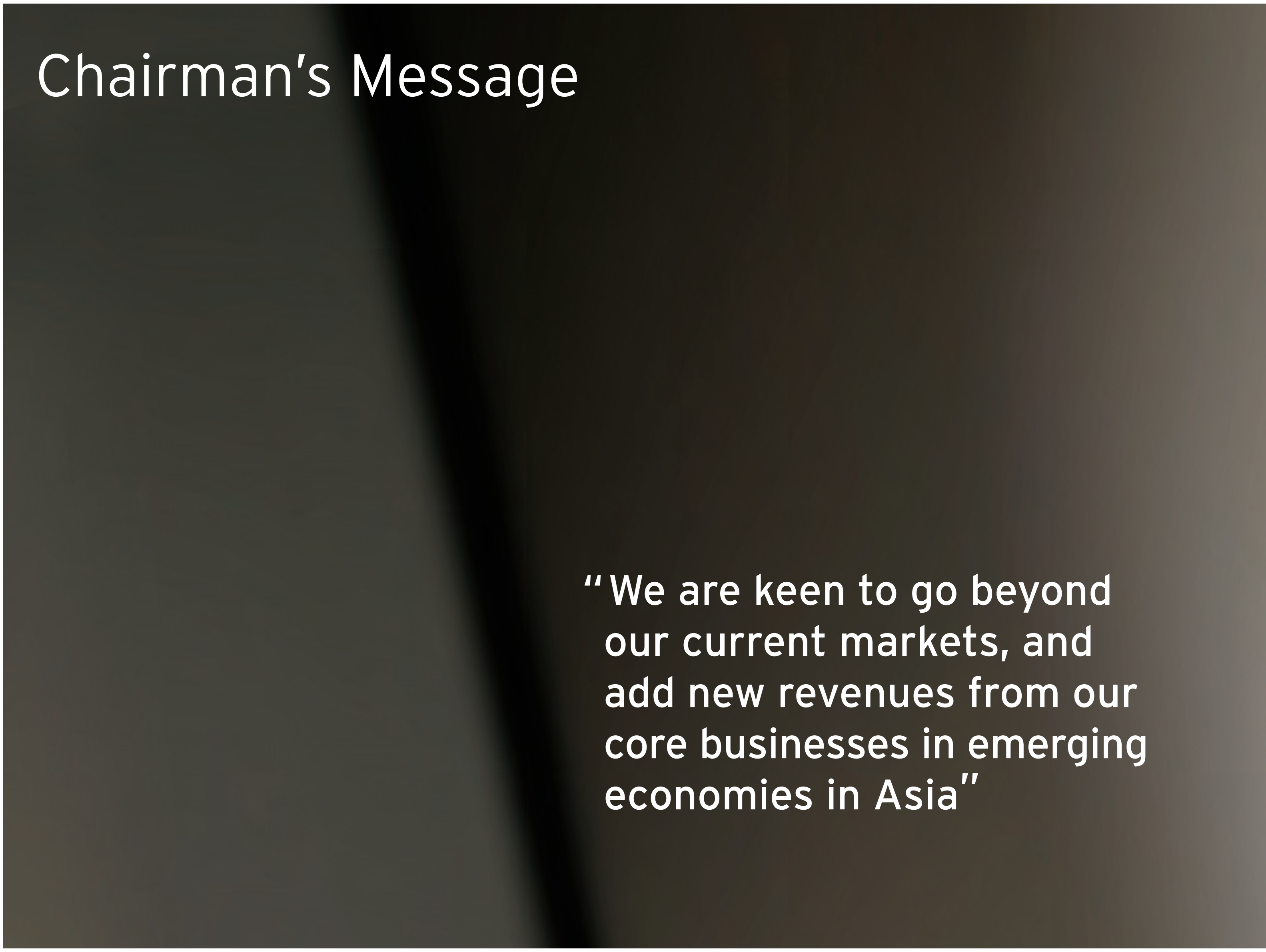
Pan-United Corporation Ltd

- Pan-United Industries Pte Ltd (100%)
- Pan-United Concrete Pte Ltd (100%)
- United Cement Pte Ltd (100%)
- Pan-United Asphalt Pte Ltd (100%)
- Priscojaya Sdn Bhd (80%)
- Pan-United International Pte Ltd (100%)
  - Pan-United Resources Pte Ltd (100%)
    - 45% FICO Pan-United Concrete Joint Stock Company
  - Pan-United Bulk Trade (2010) Pte Ltd (100%)
    - 10% FICO Pan-United Concrete Joint Stock Company
  - Resources Development (2010) Pte Ltd (100%)
    - PT. Pacific Granitama (80%)

- Pan-United Shipping Pte Ltd (100%)
- P.U. Vision Pte Ltd (100%)
- P.U. Harmony Pte Ltd (100%)
- United Bulk Shipping Pte Ltd (51%)

- Pan-United Infrastructure Pte Ltd (100%)
  - Singapore Changshu Development Co Pte Ltd (54%)
    - Changshu Xinghua Port Co., Ltd (95%)
      - Changshu Xinghua Transportation Co., Ltd (49%)
      - Changshu Westerlund Warehousing Co., Ltd (25%)

Chairman's Message



"We are keen to go beyond our current markets, and add new revenues from our core businesses in emerging economies in Asia"

Dear Shareholders,

I am pleased to report that the Group increased its attributable profits by 50% to $30.4 million in FY2011. This was backed by strong growth in both Basic Building Materials (BBM) and Port & Logistics divisions, offsetting the Shipping division's loss.

In Singapore, the Group benefitted from robust domestic construction activities, and in China, from a creditable GDP performance of 9.2 per cent.

The BBM division achieved record sales volume of cement and ready mixed concrete (RMC) with quality, innovative products as well as reliable service. The division marked a sterling EBITDA of $43.7 million and its attributable profits almost doubled to $27.1 million. Projects on hand include the construction of MRT Downtown Line, Tuas West extension, Marina Coastal Expressway, public and private residential developments like The Interlace and D'Leedon.

Our new overseas investments – a joint venture in the RMC business in Vietnam and an aggregate mining company in Indonesia – began operations in 2011. These investments are part of our long-term growth strategy to provide new earnings streams and expand our earnings capacity.

The Port & Logistics division is reaping the benefit of our cargo diversification strategy – Changshu Xinghua Port (CXP) is now the leading river port hub for steel, logs, and pulp and paper cargoes in the Yangtze River Delta. Revenue topped RMB301.1 million ($58.6 million), and EBITDA increased to $28.9 million. It contributed attributable profits of $8.8 million, a 26% improvement over FY2010. Additionally, CXP reached an agreement with Rio Tinto Asia to set up an import and distribution centre in China for the latter's borates. This demonstrates CXP customers' confidence in its service standards and delivery capabilities.

The Shipping division, operating under a very challenging environment of excess industry capacity, embarked on measures to trim losses; it registered an EBITDA of $0.6 million and non-cash loss of $5.7 million. The division continues to look for ways to stay efficient, improve fleet utilisation, and reduce costs.

The Group generated over $56.3 million of net cash flows from operations. After partial loan prepayments, it retained a healthy cash balance of $91.2 million with a group total bank borrowings of $73.1 million.

Proposed Dividend

The Board has recommended a one-tier tax exempt final ordinary dividend of 2.0 cents per share. This will be paid on 15 May 2012, subject to receiving shareholders' approval at the Annual General Meeting on 19 April 2012.

Including the interim dividend of 1.5 cents per share paid in September 2011, the total dividend of 3.5 cents for 2011 is a step up from the 3.0 cents paid for 2010. The total cash distribution of $19.5 million represents a full-year dividend payout ratio of 64 per cent.

Going beyond our horizon

Despite an expected slower economic growth in Asia, the Group is optimistic that 2012 will be a busy year. Its BBM and Port & Logistics divisions are gearing up for a higher level of activity, while its Shipping division re-positions its fleet to provide stronger stable earnings for the long haul.

Looking forward, the Group is charting a growth strategy to carve and exploit new markets for profitable expansion of its core businesses. The Group will maximize the utilization of its strengths and resources to widen its footprint in Asia through both organic growth and acquisitions.

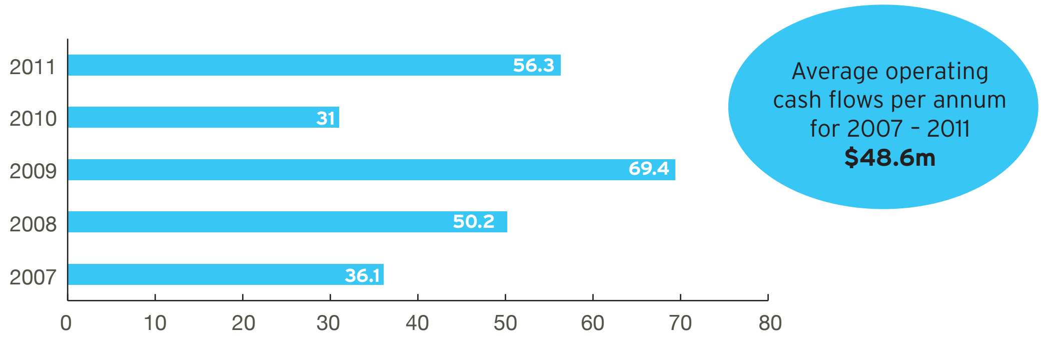
Acknowledgements

On behalf of the Board, I thank all shareholders for their continued faith in the PUC Group and all valued customers and business associates for their strong and loyal support. I also wish to express my deep appreciation to our employees for their cohesive efforts to further the Group's achievements, and for their commitment and hard work which have helped to lay a strong foundation for the Group. Finally, I would like to express my gratitude to my fellow directors for their valuable counsel and wise guidance throughout the years.

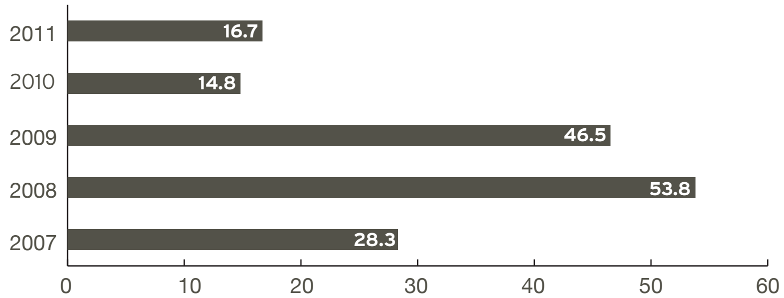
Yours Sincerely,

Ch'ng Jit Koon
Chairman

Net Cash Flows Generated From Operating Activities ($'m)



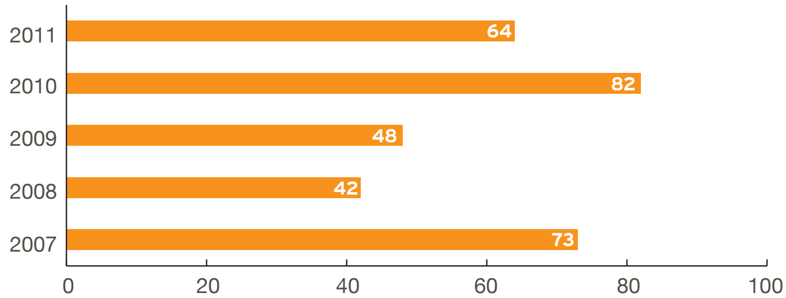
Capital Expenditure ($'m)



"We have generated consistently strong operating cash flows, which are used for capital expenditure and paid out yearly to shareholders as dividends"

Dividends

Payout Ratio (%)*



* Dividend payout ratio refers to total dividends for the year over profit after tax & non-controlling interests

Net Dividends Per Share (in cents)

	2007	2008	2009	2010	2011
Ordinary	4.45	2.80	3.00	3.00	3.50
Special	-	1.00	-	-	-
Total	4.45	3.80	3.00	3.00	3.50

Total Dividends ($'m)

	2007	2008	2009	2010	2011
Ordinary	24.5	15.5	16.6	16.7	19.5
Special	-	5.5	-	-	-
	24.5	21.0	16.6	16.7	19.5

Financial Calendar

31 Dec 2011	27 Feb 2012	19 Apr 2012	May 2012	15 May 2012	Aug 2012	Nov 2012
Financial Year End	Announcement of 2011 results	Annual General Meeting	Announcement of 2012 Q1 results	Payment of final dividend	Announcement of 2012 H1/Q2 results	Announcement of 2012 Q3 results

Corporate Information

Board of Directors

Ch'ng Jit Koon*	Chairman
Patrick Ng Bee Soon	Deputy Chairman
Ng Bee Bee	Chief Executive Officer
Jane Kimberly Ng Bee Kiok	Executive Director
Lee Cheong Seng	Non-Executive Director
Cecil Vivian Richard Wong*	
Phua Bah Lee	
Tay Siew Choon*	

* Audit Committee Members

Company Secretary	Loh Yeen Ying
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
Auditors	Ernst & Young LLP One Raffles Quay Level 18 North Tower Singapore 048583
Audit Partner	Tan Chian Khong (w.e.f. FY2010)

Board of Directors

Ch'ng Jit Koon
Chairman
Independent Director

Mr Ch'ng was appointed Chairman of Pan-United Corporation Ltd since April 1997. He also sits on the board of a few other public-listed and private companies. Mr Ch'ng was a Member of the Singapore Parliament from 1968 to 1996 and held the post of Senior Minister of State, Ministry of Community Development when he retired in February 1997. An appointed Justice of the Peace, Mr Ch'ng currently serves in several community organizations.

Patrick Ng Bee Soon
Deputy Chairman

Mr Ng was appointed Deputy Chairman of Pan-United Corporation Ltd on 1 March 2011. He was Chief Executive Officer from 31 January 2004 to 28 February 2011. Mr Ng has a Bachelor of Science degree from the University of Oregon. Before he was CEO, Mr Ng managed the Group's investments in China. He is also a director of several subsidiaries in the Group.

Ng Bee Bee
Chief Executive Officer

Ms Ng was appointed CEO of Pan-United Corporation Ltd on 1 March 2011. Prior to that, she was Executive Director from 31 January 2004 to 28 February 2011. Currently she sits on the board of several subsidiaries in the Group. Ms Ng is the Chairman of NTUC Choice Homes Co-operative Ltd and Mercatus Co-operative Limited. She is also a director of ChoiceHomes Investments Pte Ltd, Rivershore Pte Ltd, NTUC Fairprice Co-operative Limited and NTUC Fairprice Foundation Ltd.

Lee Cheong Seng
Non-Executive Director

Mr Lee was first appointed as an Independent Director of Pan-United Corporation Ltd on 29 November 1993. In August 2005, he assumed an executive function as PUC's Senior Executive Director & Advisor. Mr Lee held this position until 30 November 2009 when he relinquished his executive role and became a Non-Executive Director. Mr Lee was formerly the Managing Director and Chief Executive Officer of the ASC Group which was engaged in private equity investment business in Asia. Prior to that, he held senior management positions within the PICA Group, a regional development finance and investment banking institution. Mr Lee graduated with a First Class Honours degree in Chemical Engineering under a Colombo Plan scholarship and a Master of Applied Finance, both from the University of Adelaide. He also completed a Diploma of Management Studies programme conducted by the University of Chicago Graduate School of Business.

Jane Kimberly Ng Bee Kiok
Executive Director

Ms Ng joined Pan-United Corporation Ltd as Executive Director on 12 March 2009. She was actively involved in the PUC Group from 1988 to 2004. She was Group Financial Controller from 1997 until 2002 when she became the General Manager (Special Projects). Ms Ng holds a Bachelor of Science degree (First Class Honours) from the University of Oregon.

Phua Bah Lee
Independent Director

Mr Phua has been a director of Pan-United Corporation Ltd since November 1993. He was the Parliamentary Secretary of the Ministry of Communications from 1968 to 1971 and Senior Parliamentary Secretary of the Mnistry of Defence from 1972 to 1988. He was a Member of Parliament for the Tampines Constituency from 1968 to 1988. Mr Phua graduated from the Nanyang University of Singapore with a Bachelor of Commerce degree. He is a director of GP Industries Limited, Metro Holdings Limited, Singapura Finance Ltd and Wing Tai Holdings Limited.

Cecil Vivian Richard Wong
Independent Director

Mr Wong has been a director of Pan-United Corporation Ltd since October 1992. He holds a Bachelor of Arts degree from the University of Cambridge and is a Member of the Institute of Certified Public Accountants of Singapore. Mr Wong is the Chairman of British & Malayan Trustees Ltd. He is also a director of C K Tang Ltd and Venture Corporation Limited.

Tay Siew Choon
Independent Director

Mr Tay was appointed a director of Pan-United Corporation Ltd on 1 February 2005. He is a Colombo Plan scholar, and holds a Bachelor of Engineering (Electrical) with Honours degree from the Auckland University and a Master of Science in Systems Engineering from the former University of Singapore. 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 till March 2004. Currently Mr Tay is the Deputy Chairman of TauRx Pharmaceuticals Ltd and a director of TauRx Therapeutics Ltd, Straco Corporation Limited and WisTa Laboratories Ltd.

Operations Review

"Our new Innovation Centre further supports us as a market innovator with value-added services to our customers"

The Group's Basic Building Materials (BBM) and Port & Logistic divisions enjoyed healthy growth in the year but results were dented by Shipping division's losses due to adverse market conditions.

Singapore's construction contracts awarded rose 16.0 per cent to $32.0 billion in the year under review. The strong surge was backed by public and private sector projects, including the Land Transport Authority's (LTA) construction contracts for Downtown Line Phase 3, Tuas West extension for LTA, Liquified Natural Gas (LNG) Terminal at Jurong Island, Ng Teng Fong General Hospital, and ramp-up of HDB housing from 16,000 units to 25,000 units. The private sector projects included the D'Leedon, Sports Hub and One North Office @ North Buona Vista Road.

Last year, Singapore's demand for ready mixed concrete (RMC) increased from 10.3 million cubic metres to 11.6 million cubic metres. Similarly, cement demand improved from 4.4 million tonnes to 4.8 million tonnes and aggregates demand from 13.4 million tonnes to 16.0 million tonnes.

BBM division did very well in 2011. A significant contributor was our RMC business. We had a significant volume boost, in line with the increased demand for RMC. Notable new contracts clinched included supply of RMC for the construction of LTA's Downtown Line Phase 3 and Tuas West Extension, the Singapore LNG Terminal, Jurong East Mall, Specialist Shopping Center and BIO V @ Biopolis Road.

Besides expanding our production capacity, the Group continued to invest in the BBM division. In 2010, we acquired a corner industrial building at Kaki Bukit Crescent, and, after refurbishment in 2011, established it as our new BBM headquarters. With the bigger premises of 25,000 sq ft, we expanded our laboratory and diagnostic facilities and set up our new Innovation Centre. These will drive better innovations and solutions for customers as well as provide a purpose-built venue for more staff training and development.

Our investment in a new cement silo, completed in 2009, was timely. In the year, the two cement silos under United Cement, at our cement terminal in Jurong Port, were operating round-the-clock to receive and despatch a record volume of Ordinary Portland cement, ground granulated blast furnace slag and blended cement products.

Our new Riau aggregate quarry, acquired at end 2010, commenced production in the year. Investments to upgrade the facilities and expand capacity were incurred in the year to increase the production capacity.

Our RMC joint venture in Vietnam commenced operations in July 2011 with two batching plants, a fleet of RMC trucks, and supporting facilities. Although Vietnam recorded lower economic growth of 5.9% in 2011, we see it as an opportunity to consolidate our operations and better prepare for higher demand as the economy improves.

In Singapore, the Building and Construction Authority (BCA) has projected construction output to grow from $27.0 billion to about $30.0 billion in 2012. Accordingly, we expect demand for our cement, aggregates, and RMC to increase in 2012.

Our Shipping division operates a fleet of tugboats and barges handling bulk cargo such as coal, sand, and aggregates in South East Asia. It faced a challenging year as bulk shipping suffered from capacity oversupply due to new tonnages. Our operations were not spared in these very difficult market conditions with lower demand for tugboats and barges services, indirect competition from bulk carriers, and higher bunker costs.

We promptly implemented a few measures in the year, including laying up part of the fleet temporarily, to reduce costs and losses in the year.

Looking ahead, we assessed the market is at the bottom of the current shipping cycle for tugs and barges. As such, we expect conditions to improve gradually, and efforts will continue to increase our fleet utilization and lower operating costs.

Operations Review (continued)

Despite China's slower economic growth of 9.2 per cent in 2011, our Port & Logistics division achieved good results. Port utilization rose to over 80% on a robust volume surge in logs, steel products, and consistent pulp and paper cargoes.

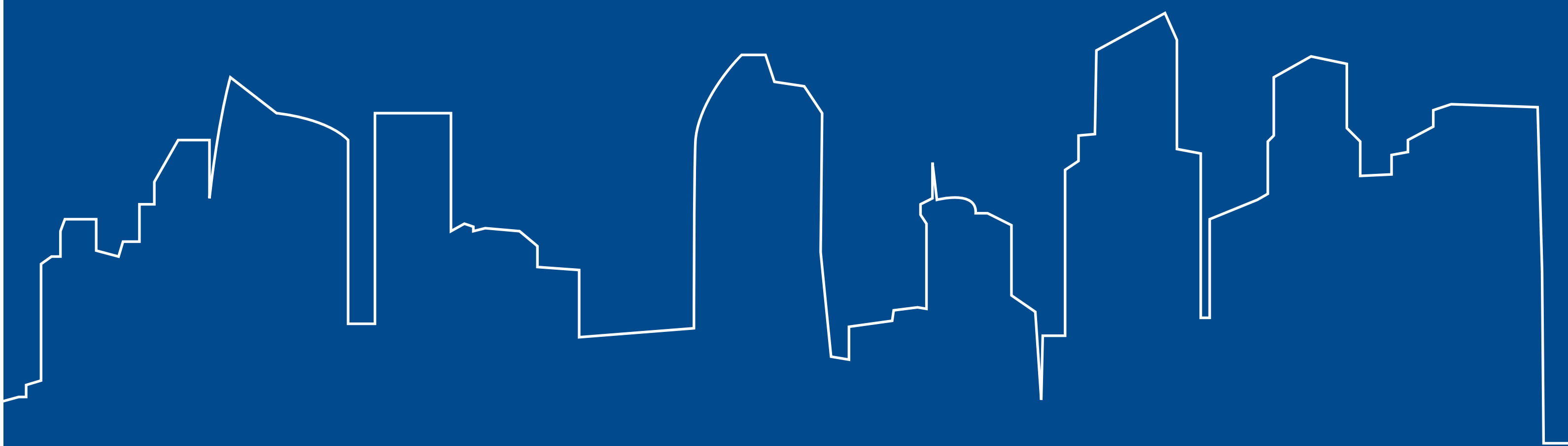
Changshu Xinghua Port (CXP) continued to improve our service quality to attract new customers and retain existing ones, creating solid volume incline for our baseload cargoes. Other conventional cargoes also advanced steadily. CXP inked a new contract with Rio Tinto Asia to set up its first import and distribution centre for its borates mineral products, targeted for the Chinese market.

In the pipeline, the Port will enlarge its storage capacity by building more warehouses as it expects greater storage demand for its cargo throughput.

In 2012, the corporate tax rate of 25 per cent will apply after the expiry of the ten-year tax concession in 2011.

"Continual investment in our capabilities and service levels have now firmly established CXP as a leading hub for pulp and paper, logs, and steel finished products in China. We will build on that to reach out to other industries and further expand our base"

Financial Report



Report on Corporate Governance

The Board is pleased to confirm that the Company has substantially adhered to the principles and guidelines of the Code of Corporate Governance 2005 (the Code). Explanations are provided where there are deviations from the Code.

The following report describes the Company's corporate governance practices with specific reference to the Code.

Board of Directors

At the date of this report, the Board comprises eight directors, four of whom are independent, namely:

i	Ch'ng Jit Koon	–	Chairman, Independent Director
ii	Patrick Ng Bee Soon	–	Deputy Chairman, Executive Director
iii	Ng Bee Bee	–	CEO, Executive Director
iv	Jane Kimberly Ng Bee Kiok	–	Executive Director
v	Lee Cheong Seng	–	Non-Executive Director
vi	Cecil Vivian Richard Wong	–	Independent Director
vii	Phua Bah Lee	–	Independent Director
viii	Tay Siew Choon	–	Independent Director

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

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

Directors Retiring Pursuant to Article 89:
- Lee Cheong Seng and
- Jane Kimberly Ng Bee Kiok

Directors Retiring Pursuant to Section 153(6) of the Companies Act (Cap 50):
- Ch'ng Jit Koon
- Cecil Vivian Richard Wong
- Phua Bah Lee

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company

The Board is collectively responsible for the success of the Company. The Board works with the management to achieve this and the 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;
- review management's performance; and
- set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met.

The principal functions of the Board include:
- deciding on strategic directions, key initiatives, policy matters and major transactions;
- approving annual capital and operating budgets;
- monitoring the performance of management and reviewing the financial performance of the Group;
- ensuring the adequacy of internal controls;
- implementing effective risk management systems;
- ensuring compliance with the Code, Companies Act, accounting standards and all other necessary statutes and regulations; and
- adopting relevant best practices guides.

The Board's Conduct of Affairs (continued)
To facilitate effective management, certain functions have been delegated to the Board's four committees, namely, the Audit Committee, Executive Committee, Nominating Committee and Remuneration Committee, each of which has its own terms of reference and whose actions are reported to the Board.

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 different levels of management.

The Board meets at least four times a year. Ad hoc meetings are convened whenever necessary to discuss the Group's activities and significant business projects. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's Articles of Association.

The number of board and committee meetings held in the year and the attendance of each director are set out as follows:

	Board Meetings		Nominating Committee Meetings		Remuneration Committee Meetings		Audit Committee Meetings	
Name of director	**No. held**	**No. attended**	**No. held**	**No. attended**	**No. held**	**No. attended**	**No. held**	**No. attended**
Ch'ng Jit Koon	4	4	1	1	-	-	4	4
Patrick Ng Bee Soon	4	4	-	-	-	-	-	-
Ng Bee Bee	4	4	-	-	-	-	-	-
Jane Kimberly Ng Bee Kiok	4	4	-	-	-	-	-	-
Lee Cheong Seng	4	4	1	1	-	-	-	-
Cecil Vivian Richard Wong	4	4	-	-	1	1	4	4
Phua Bah Lee	4	4	1	1	1	1	-	-
Tay Siew Choon	4	4	-	-	1	1	4	4

The Company has in place an orientation programme to familiarise new directors with the Company's businesses and practices. Directors are regularly updated on accounting and other regulatory changes. They are also encouraged to receive further training particularly on relevant new laws and regulations. Furthermore, directors attend programmes of their choice relating to finance, legal, business strategy, risk management and corporate governance issues to further enhance their knowledge.

Board Composition and Guidance
Strong and independent element on the board
Principle 2: There should be a strong and independent element on the board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making
The Board is satisfied that the current composition and board size are appropriate, having taken into account the nature and scope of the Group's operations.

The Nominating Committee (NC) reviews on an annual basis, the independence of each director, bearing in mind the Code's definition of an "independent director" and determines whether there are any relationships or circumstances that could affect the independence of that director. The NC confirms that the independent directors are Messrs Ch'ng Jit Koon, Cecil Vivian Richard Wong, Phua Bah Lee and Tay Siew Choon.

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 executive directors have an in-depth knowledge of the Group's businesses.

Directors are at liberty to request the management for further explanations, briefings or additional materials on any operational or business issues that require their attention.

All directors exercise independent judgment in the best interests of the Company.

Role of Chairman and Chief Executive Officer (CEO)

Principle 3: The Chairman and Chief Executive Officer (CEO) should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decision making

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 most senior executive responsible for the day-to-day operations of the Group.

The Chairman's role includes the following:

- leads the Board to ensure its effectiveness on all aspects of its function;
- ensures that the Board receives accurate, timely and clear information;
- ensures effective communication with shareholders;
- facilitates constructive relations between the Board and Management;
- encourages the effective contribution of non-executive directors at board meetings; and
- promotes high standards of corporate governance.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the board

The NC makes recommendations to the Board on all Board appointments, i.e., new appointments, re-nominations, retirement of directors as well as for appointments on board committees.

There is a formal process for the appointment of new directors. The NC leads the process and:

- reviews potential candidates for the Board's consideration;
- engages (if necessary) on behalf of the Company, external consultants and other advisers to source for potential candidates;
- interviews short-listed candidates to assess suitability;
- makes recommendations to the Board for approval; and
- arranges for a formal letter to be issued to the incoming director, setting out among other matters, the directors' duties and obligations.

The directors do not participate in decisions concerning their own re-appointments.

In accordance with Article 88 of the Company's Articles of Association, all newly- appointed directors will only hold office until the next AGM.

Article 89 of the Company's Articles of Association provides that every director shall, subject to the Statutes, retire from office at least once every three (3) years.

The dates of initial appointment and last re-election of each director are set out below:

Name of director	Age	Position	Date of initial appointment	Date of last re-election
Ch'ng Jit Koon	78	Chairman/Independent Director	01/04/1997	21/04/2011
Patrick Ng Bee Soon	49	Deputy Chairman/Executive Director	25/05/1993	21/04/2011
Ng Bee Bee	44	CEO/Executive Director	31/01/2004	22/04/2010
Jane Kimberly Ng Bee Kiok	50	Executive Director	12/03/2009	23/04/2009
Lee Cheong Seng	65	Non-Executive Director	29/11/1993	23/04/2009
Cecil Vivian Richard Wong	89	Independent Director	01/10/1992	21/04/2011
Phua Bah Lee	79	Independent Director	29/11/1993	21/04/2011
Tay Siew Choon	64	Independent Director	01/02/2005	21/04/2011

Notes
1) Information on directors' shareholding in the Company and its related companies is set out on page 30.
2) Information on directorships or chairmanships in other listed companies and other major appointments are set out on pages 10 and 11.

Board Performance

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

The Board has adopted an internal process for evaluating the effectiveness of the board as a whole. Each board member was required to complete a board appraisal form to be returned to the NC Chairman. The evaluation results were 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 considers a set of qualitative and quantitative performance criteria. The evaluation parameters include performance against set goals and contribution to the Group's long-term objectives and revenue growth.

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.

Informal reviews of the director's individual performance are undertaken on an annual basis.

Based on the results of the evaluation exercise of the Board as a whole as well as the actual performance of each director, 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

The directors are provided with regular quarterly reports on the Group's financial position as well as timely and complete information to enable them to discharge their responsibilities.

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 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.

Board Committees

The Board is assisted by four committees, namely: the Executive, Nominating, Remuneration and Audit Committees.

Executive Committee

The Executive Committee (EXCO) comprises:

i Ch'ng Jit Koon – Chairman
ii Patrick Ng Bee Soon
iii Ng Bee Bee
iv Jane Kimberly Ng Bee Kiok

The EXCO considers and approves investment proposals and expenditures within the limits of authority delegated by the Board.

Nominating Committee

The Nominating Committee (NC) comprises:

i Ch'ng Jit Koon – Chairman
ii Phua Bah Lee
iii Lee Cheong Seng

The majority of the members, including the Chairman of the NC, are non-executive independent directors. The NC has written terms of reference setting out the responsibilities of its members, which include annual review of the:

- adequacy and composition of the Board and board committees to ensure that they meet the composition and balance required under the Code;
- appointments and re-appointments of directors, and making appropriate recommendations for the Board's approval;
- independence of each director with reference to the guidelines set out in the Code;
- evaluation and assessment of the effectiveness of the Board as a whole; and
- evaluation whether or not a director is able to and has been adequately carrying out his/her duties as a director of the Company when he/she has multiple board representations.

Remuneration Policies

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
Principle 8: Level and mix of remuneration
Principle 9: Disclosure on remuneration

Remuneration Committee

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 aim of the RC is to motivate and retain executives and ensure that the Company is able to attract the best talent in the market in order to maximize shareholder value. The RC has access to expert advice in the field of executive compensation outside the Company when required.

In consultation with the Chairman, the RC will:

- recommend to the Board a framework of remuneration for executive directors of the Company and key executives that takes into consideration longer term interests of the Group;
- ensure that the interests of such directors and key executives are aligned with those of shareholders and that such remuneration is appropriate to attract, motivate and retain the right talents for the Group;
- review and recommend to the Board for their endorsement the annual remuneration package for executive directors of the Company, which includes a variable bonus component which is performance-related;
- decide on the early termination compensation of directors;
- consider whether directors should be eligible for benefits under long-term incentive schemes; and
- administer the Pan-United Share Option Scheme (Scheme 2002) and grant share options in accordance with its rules.

Non-executive directors are paid directors' fees. The RC recommends to the Board, fees for non-executive directors after taking into consideration factors such as effort, time spent, contribution and the level of fees of directors in similar industry. Members of the RC do not participate in any discussions or decisions concerning their own remuneration. Non-executive directors are not over-compensated to the extent that their independence may be compromised. Directors' fees are subject to shareholders' approval at the Company's annual general meetings.

The Chairman of each board committee is paid a higher fee compared to each of the members of the respective committees because of the greater responsibility carried by that office.

Executive directors are not paid directors' fees.

Remuneration Committee (continued)
The following table shows the breakdown of the level and mix of directors' remuneration.

Remuneration of directors for the year ended 31 December 2011:

Remuneration bands & name of director	Base salary/ Directors' fees	Performance-related bonus	Share options granted
Above $500,000			
Patrick Ng Bee Soon	33%	67%	-
Ng Bee Bee	49%	51%	-
$250,000 - $500,000			
Jane Kimberly Ng Bee Kiok	44%	56%	-
Below $250,000			
Ch'ng Jit Koon	100%	-	150,000
Cecil Vivian Richard Wong	100%	-	150,000
Phua Bah Lee	100%	-	150,000
Tay Siew Choon	100%	-	150,000
Lee Cheong Seng	100%	-	150,000

Given the highly competitive industry conditions of the Group's operations and the sensitivity and confidentiality of remuneration matters, the Company believes that the disclosure of remuneration of individual executives as recommended by the Code would be disadvantageous to the Group's interests.

For the year ended 31 December 2011, the details of the remuneration of an employee of the Company's subsidiary, who is an immediate family member of its directors and the CEO, are as follows:

Remuneration band	Base salary	Performance-related bonus	Share options granted
Below $250,000			
Spouse of Ng Bee Bee (CEO) and brother-in-law of both Patrick Ng Bee Soon (Deputy Chairman) and Jane Kimberly Ng Bee Kiok (Executive Director)	64%	36%	-

Details of the Pan-United Share Option Scheme
The Pan-United Share Option Scheme (Scheme 2002) was approved by shareholders of the Company at the Extraordinary General Meeting held on 19 April 2002 and 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 are set out in the Directors' Report at pages 31 and 32 of the Annual Report. In accordance with Rule 704(27) of the Listing Rules, the necessary SGXNET announcement of the share options grant was made on 18 November 2011.

As Scheme 2002 will expire on 18 April 2012, no further share options will be granted under Scheme 2002 after its expiry date.

Accountability

Principle 10: The board is responsible for providing a balanced and understandable assessment of the company's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required)

Management provides all board members with management accounts and other relevant information which present a balanced and understandable assessment of the Company's performance, position and prospects on a timely basis. Financial reports and other price-sensitive information relating to the Company and the Group are disseminated promptly to the Singapore Exchange Securities Trading Limited and shareholders through announcements and press releases broadcasted through SGXNET and media briefings.

Principle 11: Audit Committee

The Audit Committee (AC) members 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.

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 Group's system of accounting and internal financial controls. It also keeps under review the Group's programme to monitor compliance with its legal, regulatory and contractual obligations.

To enhance corporate governance and risk management, the internal audit function of the PUC Group was outsourced to PricewaterhouseCoopers Singapore since September 2010.

In performing its functions, the AC reviewed the overall scope of both internal and external audits, and the assistance given by management to the auditors. The AC also met with the internal and external auditors, independent 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 also reviewed the quarterly financial statements of the Company for the financial year 2011, as well as the auditors' reports.

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 the management, and the internal auditors, and has full discretion to invite any director or executive officer to attend its meetings.

The AC reviews, on an annual basis, the independence of the external auditors, Ernst & Young LLP (EY). For financial year ended 2011, the AC conducted a review of all non-audit services provided by EY before recommending for their re-nomination. In FY 2011 there were no non-audit fees paid to EY. The aggregate amount of audit fees paid or payable by the Group to the external auditors for FY 2011 was approximately $273,000. The AC is satisfied that the independence of EY is not affected and recommends to the Board the re-appointment of EY as the external auditors of the Company for the financial year ending 31 December 2012.

With regard to the appointment or re-appointment of the external auditors, 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 716(2) of the SGX Listing Rules regarding audit of the Company's foreign subsidiaries and joint-ventures.

Based on the report by the internal auditors and the statutory audit performed by the external auditors, the Board and the AC are satisfied that the financial, operational, compliance controls and risk management systems are adequate to meet the Group's requirements in its current business environment. The existing system of internal controls and risk management of the Group provides reasonable, but not absolute assurance that the Group would not be adversely affected by any event that could be reasonably foreseen. However, the Board also notes that no system of internal control and risk management can be completely fail-safe against human error, losses, fraud or other irregularities.

Whistle-Blowing Policy

The AC also reviewed the Group's Whistle-Blowing Policy which 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, and the AC is satisfied that arrangements are in place for independent investigation and appropriate action.

Principle 12: Internal Controls, Risk Factors and Risk Management

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

Internal Controls

The Group's internal and external auditors conduct reviews of the effectiveness of the Group's internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or significant weaknesses in internal controls are brought to the attention of AC and to senior management for remedial action. The AC subsequently reviews the effectiveness of the actions taken.

During the year, the AC has reviewed the effectiveness of the internal control and risk management procedures and was satisfied that the Group's risk management and processes and internal controls are adequate to meet the needs of the Group.

Risk Factors and Risk Management

The Group is vulnerable to a number of risks applicable to the industry and the areas in which it operates. The Group's approach to financial risk management is listed on pages 76 to 80 of the Annual Report. In addition, the Group's business, financial conditions or results of operation could be materially and adversely affected by any of these risks.

Business risk

Basic Building Materials

The Basic Building Materials (BBM) division is exposed to changes in demand of basic building materials for the local construction industry. On the supply side, it is exposed to any disruption to raw material supplies and increases in raw material prices. The BBM division responds to the risks by managing its operational costs and having diversified sources of raw materials.

Shipping

The Shipping division's fleet of vessels ply mainly in the Southeast Asian region. Demand for coastal shipping vessels depends on inter regional trade. The shipping business is also exposed to increases in fuel cost for its vessels. To minimise the risks, the Shipping division has a strategy to vary the number of vessels owned in relation to the demand, to better ride the market and competitive environment.

Port & Logistics

The Group's Changshu Xinghua Port (CXP) is in The People's Republic of China (PRC). It is therefore subject to changes in political conditions and policy changes in the PRC and those of the local government. CXP is dependent on import and export trade of raw materials such as steel, logs, pulp and paper which contribute significantly to the total revenue of CXP. To manage these risks, CXP will continue to maintain good working relationships with the local authorities and have a lean cost structure through cost management measures and operational efficiencies to position the port as one of the leading distribution hubs for steel, logs, pulp and paper in PRC.

Operational risk

Operational risk is the potential loss caused by 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 this is critical in enhancing the Group's operational risk management process.

Investment risk

The Group expands its business through organic growth of its existing activities and through acquisitions of business entities. Investment activities are evaluated through performing due diligence exercise. All new business proposals are reviewed by the Company's senior management and executive directors before obtaining the Board's approval.

Principle 13: Internal Audit

PricewaterhouseCoopers, a reputable firm of international public-accountants, was appointed as internal auditors (IA) of the PUC Group with effect from September 2010. With its pool of specialists in IT, risk management and internal controls, the level and objectivity of the internal audit function will be further enhanced. IA's primary reporting line is to the AC Chairman directly although IA also reports administratively to the CEO. Under the Terms of Reference, the AC also reviews and approves the annual internal audit plan. The IA reports their findings and recommendations directly to the AC.

Principle 14: Communication with Shareholders
Principle 15: Greater Shareholder Participation at AGMs
The Company does not practise selective disclosure. Price-sensitive announcements and quarterly results are released through SGXNET. The information is subsequently posted on the Company's website. To reduce our carbon footprint, we produced our first annual report in CD-Rom format in 2010 for FY 2009. Since then, we have also stopped sending out the Summary Report. Although this alternative mode is allowed under the Singapore Companies Act and our Articles of Association, shareholders can request for a printed copy at no cost if they still wish to receive the Annual Report in paper form.

At general meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group and its businesses. The Articles of Association of the Company allow shareholders of the Company to appoint one or two proxies to attend and vote on their behalf.

The Chairmen of the Nominating, Audit and Remuneration Committees are present and available to address questions at AGMs. The external auditors are also present to assist the directors in addressing any relevant queries by shareholders.

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

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.

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 on 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.

There were no interested person transactions as defined in Chapter 9 of the SGX Listing Manual, entered into by the Company or the Group during the financial year ended 31 December 2011.

On behalf of the Board of Directors,

Ch'ng Jit Koon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
16 March 2012

Directors' Report

The directors are pleased to present their report 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 2011.

1. Board of Directors

As at the date of this report, the Board comprises eight (8) 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	Jane Kimberly Ng Bee Kiok	Executive Director
v	Lee Cheong Seng	Non-Executive Director
vi	Cecil Vivian Richard Wong	Independent Director
vii	Phua Bah Lee	Independent Director
viii	Tay Siew Choon	Independent Director

2. 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 object 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.

3. 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, Cap. 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	698,000	698,000	–	–
Patrick Ng Bee Soon	25,120,030	25,120,030	318,600,000*	318,600,000*
Ng Bee Bee	–	–	326,750,002*	326,750,002*
Jane Kimberly Ng Bee Kiok	–	–	326,700,002*	326,700,002*
Lee Cheong Seng	3,000,000	3,000,000	–	–
Cecil Vivian Richard Wong	450,000	450,000	–	–
Phua Bah Lee	690,000	690,000	–	–
Tay Siew Choon	80,000	80,000	–	–

* These include 153,000,000 (as at 1 January 2011: 128,000,000) ordinary shares held as joint shareholders.

(options to subscribe for ordinary shares)

Ch'ng Jit Koon	450,000	600,000	–	–
Lee Cheong Seng	150,000	300,000	–	–
Cecil Vivian Richard Wong	450,000	600,000	–	–
Phua Bah Lee	450,000	600,000	–	–
Tay Siew Choon	750,000	750,000*	–	–

* Mr Tay Siew Choon's interest in share options previously granted on 20.11.2006 to subscribe for 150,000 ordinary shares at the exercise price of $0.60 per share had lapsed on 19.11.2011.

By virtue of Section 7 of the Singapore Companies Act, Cap. 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 2012.

4. Directors' Contractual Benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

5. Options

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 2002 will expire on 18 April 2012.

Under Scheme 2002, the options granted prior to its expiry date, exercised, forfeited/lapsed during the financial year and outstanding as at 31 December 2011 are as follows:

			No. of Share Options			
Date granted	Exercise price	Exercise period	At 1 January 2011 or date of grant if later	Forfeited/ Lapsed	Exercised	As at 31 December 2011
18/11/2005	$0.43	18/11/2006 – 17/11/2015	380,000	–	(184,000)	196,000
20/11/2006	$0.60	20/11/2007 – 19/11/2011	150,000	(150,000)	–	–
20/11/2006	$0.60	20/11/2007 – 19/11/2016	777,000	–	–	777,000
22/11/2007	$0.83	22/11/2008 – 21/11/2012	600,000	–	–	600,000
22/11/2007	$0.83	22/11/2008 – 21/11/2017	1,185,000	(25,000)	–	1,160,000
19/11/2008	$0.38	19/11/2009 – 18/11/2013	150,000	–	–	150,000
19/11/2008	$0.38	19/11/2009 – 18/11/2018	1,051,000	(11,000)	(316,000)	724,000
19/11/2009	$0.52	19/11/2010 – 18/11/2014	600,000	–	–	600,000
19/11/2009	$0.52	19/11/2010 – 18/11/2019	1,323,000	(18,000)	(29,000)	1,276,000
19/11/2010	$0.53	19/11/2011 – 18/11/2015	750,000	–	–	750,000
19/11/2010	$0.53	19/11/2011 – 18/11/2020	1,265,000	–	–	1,265,000
18/11/2011	$0.47	18/11/2012 – 17/11/2016	750,000	–	–	750,000
18/11/2011	$0.47	18/11/2012 – 17/11/2021	1,307,000			1,307,000
			10,288,000	(204,000)	(529,000)	9,555,000

During the financial year ended 31 December 2011, the Company has granted 750,000 options to non-executive directors of the Company and 1,307,000 options to employees of the Company, at the exercise price of $0.47. Details of these options granted are as follows:

Exercisable date	Expiry date	Number of options
18/11/2012	17/11/2016	750,000
18/11/2012	17/11/2021	389,600
18/11/2013	17/11/2021	394,600
18/11/2014	17/11/2021	522,800
		2,057,000

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.

5. Options (continued)
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 financial year	Aggregate options granted since commencement of Scheme 2002 to end of financial year	Aggregate options exercised since commencement of Scheme 2002 to end of financial year	Aggregate options lapsed since commencement of Scheme 2002 to end of financial year	Aggregate options outstanding as at end of financial year
Ch'ng Jit Koon	150,000	1,290,000	(690,000)	–	600,000
Lee Cheong Seng	150,000	5,540,000	(5,240,000)	–	300,000
Cecil Vivian Richard Wong	150,000	1,290,000	(690,000)	–	600,000
Phua Bah Lee	150,000	1,290,000	(690,000)	–	600,000
Tay Siew Choon	150,000	980,000	(80,000)	(150,000)	750,000
	750,000	10,390,000	(7,390,000)	(150,000)	2,850,000

6. Audit Committee
The Audit Committee (AC) carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 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 auditors for the financial year ending 31 December 2012.

7. Auditors
Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

Ch'ng Jit Koon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
16 March 2012

Statement by Directors

We, Ch'ng Jit Koon and Ng Bee Bee, being two of the directors of Pan-United Corporation Ltd, do hereby state that, in the opinion of the directors,

i the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cashflow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results of the business, 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

ii 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.

On behalf of the Board of Directors,

Ch'ng Jit Koon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
16 March 2012

Independent Auditors' Report

To the members of Pan-United Corporation Ltd

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Pan-United Corporation Ltd (the Company) and its subsidiaries (collectively, the Group) set out on pages 35 to 83, which comprise the balance sheets of the Group and the Company as at 31 December 2011, 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Certified Public Accountants

Singapore
16 March 2012

Consolidated Income Statement

for the year ended 31 December 2011

	Notes	2011 $'000	2010 $'000
Revenue	3	**512,679**	391,392
Other income	4	**6,581**	7,177
Raw materials, subcontract costs and other direct costs		**(380,270)**	(296,493)
Staff costs	5	**(28,618)**	(18,520)
Depreciation expenses	9	**(21,024)**	(19,286)
Other expenses	4	**(36,886)**	(29,198)
Finance costs	6	**(4,740)**	(5,035)
Share of results of associates		**1,536**	1,621
Profit before income tax	4	**49,258**	31,658
Income tax	7	**(10,820)**	(4,302)
Profit for the year		**38,438**	27,356
Attributable to			
Equity holders of the Company		**30,356**	20,275
Non-controlling interests		**8,082**	7,081
		38,438	27,356
Earnings per share (in cents)			
Basic	8	**5.5**	3.7
Diluted	8	**5.4**	3.7

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	2011 $'000	2010 $'000
Profit for the year	**38,438**	27,356
Other comprehensive income		
Gain on hedging instrument	**–**	377
Foreign currency translation	**4,879**	(4,506)
Other comprehensive income for the year, net of tax	**4,879**	(4,129)
Total comprehensive income for the year	**43,317**	23,227
Total comprehensive income attributable to		
Equity holders of the Company	**32,784**	18,212
Non-controlling interests	**10,533**	5,015
	43,317	23,227

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

Balance Sheets

as at 31 December 2011

		Group		Company	
	Notes	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Non-current assets					
Vessels, property, plant and equipment	9	**272,162**	264,064	**488**	601
Subsidiaries	10	**–**	–	**87,062**	86,299
Associates	11	**4,618**	4,656	**–**	–
Other investments	12	**17,426**	17,466	**181**	184
Other receivables		**340**	–	**–**	–
Goodwill	13	**2,345**	–	**–**	–
		296,891	286,186	**87,731**	87,084
Current assets					
Cash and cash equivalents	14	**91,191**	94,190	**67,952**	67,953
Short-term investments	12	**–**	1,286	**–**	1,286
Trade and other receivables	15	**121,782**	82,574	**2,260**	2,131
Advances for investment	16	**–**	9,872	**–**	–
Prepayments		**1,139**	1,110	**73**	75
Work-in-progress		**884**	677	**–**	–
Inventories	17	**16,007**	14,148	**–**	–
		231,003	203,857	**70,285**	71,445
Current liabilities					
Bank loans	18	**–**	5,000	**–**	–
Payables and accruals	19	**85,686**	56,928	**2,332**	1,532
Deferred income	20	**5,000**	994	**–**	–
Provisions	21	**2,470**	2,399	**–**	–
Income tax payable		**7,872**	833	**–**	–
		101,028	66,154	**2,332**	1,532
Net current assets		**129,975**	137,703	**67,953**	69,913
Non-current liabilities					
Bank loans	18	**73,130**	94,250	**–**	–
Deferred tax liabilities	22	**6,328**	6,162	**–**	–
Deferred income	20	**1,805**	1,885	**–**	–
Other liabilities	23	**1,145**	–	**–**	–
Provisions	21	**3,450**	2,830	**–**	–
		85,858	105,127	**–**	–
Net assets		**341,008**	318,762	**155,684**	156,997
Equity attributable to equity holders of the Company					
Share capital	24	**88,104**	87,843	**88,104**	87,843
Reserves		**210,063**	193,821	**67,580**	69,154
		298,167	281,664	**155,684**	156,997
Non-controlling interests		**42,841**	37,098	**–**	–
Total equity		**341,008**	318,762	**155,684**	156,997

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

Statement of Changes in Equity

for the year ended 31 December 2011

2011 Group

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital (Note 24) $'000	Capital reserve (Note 25) $'000	Foreign currency translation reserve (Note 27) $'000	Accumulated profits $'000	Other reserves (Note 26) $'000	Total reserves $'000	$'000	$'000
Balance at 1 January 2011	87,843	3,000	(4,301)	194,520	602	193,821	37,098	318,762
Profit for the year	–	–	–	30,356	–	30,356	8,082	38,438
Other comprehensive income								
Foreign currency translation	–	–	2,428	–	–	2,428	2,451	4,879
Other comprehensive income for the year, net of tax	–	–	2,428	–	–	2,428	2,451	4,879
Total comprehensive income for the year	–	–	2,428	30,356	–	32,784	10,533	43,317
Contributions by and distributions to owners								
Cost of share-based payment (share options)	–	–	–	–	184	184	–	184
Issue of shares under share option scheme	261	–	–	–	(47)	(47)	–	214
Dividends on ordinary shares (Note 34)	–	–	–	(16,679)	–	(16,679)	–	(16,679)
Total transactions with owners in their capacity as owners	261	–	–	(16,679)	137	(16,542)	–	(16,281)
Acquisition of a subsidiary (Note 10)	–	–	–	–	–	–	1,138	1,138
Incorporation of a subsidiary	–	–	–	–	–	–	1,104	1,104
Dividends paid to non-controlling interests	–	–	–	–	–	–	(7,032)	(7,032)
Balance at 31 December 2011	88,104	3,000	(1,873)	208,197	739	210,063	42,841	341,008

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

2010 Group

	Share capital (Note 24) $'000	Capital reserve (Note 25) $'000	Foreign currency translation reserve (Note 27) $'000	Accumulated profits $'000	Other reserves (Note 26) $'000	Total reserves $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to equity holders of the Company							
Balance at 1 January 2010	85,707	3,000	(1,861)	190,906	509	192,554	38,392	316,653
Profit for the year	–	–	–	20,275	–	20,275	7,081	27,356
Other comprehensive income								
Gain on hedging instrument	–	–	–	–	377	377	–	377
Foreign currency translation	–	–	(2,440)	–	–	(2,440)	(2,066)	(4,506)
Other comprehensive income for the year, net of tax	–	–	(2,440)	–	377	(2,063)	(2,066)	(4,129)
Total comprehensive income for the year	–	–	(2,440)	20,275	377	18,212	5,015	23,227
Contributions by and distributions to owners								
Cost of share-based payment (share options)	–	–	–	–	218	218	–	218
Issue of shares under share option scheme	2,136	–	–	–	(502)	(502)	–	1,634
Dividends on ordinary shares (Note 34)	–	–	–	(16,661)	–	(16,661)	–	(16,661)
Total transactions with owners in their capacity as owners	2,136	–	–	(16,661)	(284)	(16,945)	–	(14,809)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(6,309)	(6,309)
Balance at 31 December 2010	87,843	3,000	(4,301)	194,520	602	193,821	37,098	318,762

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

Statement of Changes in Equity (continued)

for the year ended 31 December 2011

2011 Company

	Attributable to equity holders of the Company				Total equity
	Share capital (Note 24)	Accumulated profits	Other reserves (Note 26)	Total reserves	
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2011	87,843	68,552	602	69,154	156,997
Profit for the year	–	14,968	–	14,968	14,968
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income	–	14,968	–	14,968	14,968
Cost of share-based payment (share options)	–	–	184	184	184
Issue of shares under share option scheme	261	–	(47)	(47)	214
Dividends on ordinary shares (Note 34)	–	(16,679)	–	(16,679)	(16,679)
Balance at 31 December 2011	88,104	66,841	739	67,580	155,684

2010 Company

	Attributable to equity holders of the Company				Total equity
	Share capital (Note 24)	Accumulated profits	Other reserves (Note 26)	Total reserves	
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2010	85,707	64,361	509	64,870	150,577
Profit for the year	–	20,852	–	20,852	20,852
Other comprehensive income for the year	–	–	377	377	377
Total comprehensive income	–	20,852	377	21,229	21,229
Cost of share-based payment (share options)	–	–	218	218	218
Issue of shares under share option scheme	2,136	–	(502)	(502)	1,634
Dividends on ordinary shares (Note 34)	–	(16,661)	–	(16,661)	(16,661)
Balance at 31 December 2010	87,843	68,552	602	69,154	156,997

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

Consolidated Cash Flow Statement

for the year ended 31 December 2011

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities			
Profit before income tax		**49,258**	31,658
Adjustments for			
Depreciation expenses	9	**21,024**	19,286
Dividend income from available-for-sale investments	4	**(4,328)**	(3,812)
Interest expense, net		**4,246**	4,614
Gain on disposal of vessels, property, plant and equipment	4	**(16)**	(1,222)
Write-off of vessels, property, plant and equipment	4	**1,272**	–
Provision for impairment of vessels, property, plant and equipment	9	**823**	–
Provision for stock obsolescence	4	**429**	–
Provision for/(Write-back of) impairment in value of other investments		**6**	(165)
Provisions	21	**(57)**	(316)
Changes in fair value of financial instruments	4	**35**	(777)
Share-based payment expenses	5	**184**	218
Share of results of associates		**(1,536)**	(1,621)
Foreign exchange differences		**1,471**	857
Operating cash flows before working capital changes		**72,811**	48,720
Increase in trade and other receivables		**(39,548)**	(187)
(Increase)/decrease in prepayments		**(29)**	250
Increase in inventories and work-in-progress		**(1,132)**	(1,439)
Payment for advances for investment		**–**	(9,872)
Increase/(decrease) in deferred income		**3,926**	(821)
Increase in payables and accruals		**28,104**	1,804
Cash flows generated from operations		**64,132**	38,455
Interest paid	6	**(4,630)**	(4,885)
Income tax paid		**(3,615)**	(2,824)
Interest received	4	**384**	271
Net cash flows from operating activities		**56,271**	31,017
Cash flows from investing activities			
Acquisition of vessels, property, plant and equipment		**(16,678)**	(14,834)
Capital refund from other investments		**–**	118
Proceeds from disposal of vessels, property, plant and equipment		**129**	4,857
Proceeds from disposal of other investments		**1,272**	–
Dividend income from associates		**1,803**	1,698
Dividend income from available-for-sale investments		**4,328**	3,812
Net cash flows used in investing activities		**(9,146)**	(4,349)
Cash flows from financing activities			
Net (repayment of)/proceeds from bank borrowings		**(30,030)**	17,350
Proceeds from issuance of share capital		**214**	1,634
Contribution from non-controlling interests		**2,879**	–
Loan from/(repayment to) non-controlling interests		**1,126**	(225)
Dividends paid to shareholders	34	**(16,679)**	(16,661)
Dividends paid to non-controlling interests		**(7,032)**	(6,309)
Net cash flows used in financing activities		**(49,522)**	(4,211)
Net (decrease)/increase in cash and cash equivalents		**(2,397)**	22,457
Cash and cash equivalents as at beginning of year		**94,190**	73,329
Effects of exchange rate changes on opening cash and cash equivalents		**(602)**	(1,596)
Cash and cash equivalents as at end of year	14	**91,191**	94,190

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 the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

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 10 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.

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 and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations 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 and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
Revised FRS 27 Separate Financial Statements	1 January 2013
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2013
FRS 110 Consolidated Financial Statements	1 January 2013
FRS 111 Joint Arrangements	1 January 2013
FRS 112 Disclosure of Interests in Other Entities	1 January 2013
FRS 113 Fair Value Measurements	1 January 2013

Except for the Amendments to FRS 1 and FRS 112, the directors expect that the adoption of the other standards and interpretations 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 the Amendments to FRS 1 and FRS 112 are described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 112 Disclosure of Interests in Other Entities
FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

2.4 Basis of consolidation and business combinations

From 1 January 2010

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 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.

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.8. 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.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations (continued)

Before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' 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 owners of the Company.

2.6 Foreign currency

The Group's consolidated 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 determined.

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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Group companies

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.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.7 Vessels, property, plant and equipment

All items of vessels, property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the vessels, property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying vessels, property, plant and equipment. The accounting policy for borrowing costs set out in Note 2.19. The cost of an item of vessel, property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

Vessels	–	12 to 25 years
Drydocking expenses	–	2.5 years
Leasehold land (includes land use rights)	–	8 to 70 years – over the lease terms
Leasehold buildings	–	8 to 50 years – over the lease terms
Plant and machinery	–	5 to 20 years
Office furniture and equipment	–	3 to 10 years
Storage tanks	–	10 years
Motor vehicles	–	5 to 10 years

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next drydocking are identified. The cost of these components is depreciated over the period to the next estimated drydocking date. Costs incurred on subsequent drydocking of vessels are capitalised and depreciated over the period to the next drydocking date. When significant drydocking costs recur prior to the expiry of the depreciation period, the remaining costs of the previous drydocking are written off in the month of the subsequent drydocking.

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

The carrying values of vessels, 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 values, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

2.8 Goodwill

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 each of 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 unit to which goodwill has 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. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

2. Summary of significant accounting policies (continued)

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 annual impairment assessment 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 to sell 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. 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 be 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 entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. 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 the 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, including any other unsecured receivables, 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 its associates. The Group determines at each balance sheet date 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 most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.12 Deferred income

Deferred income relates to land lease arrangements 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 voyages-in-progress is credited to profit or loss upon completion of the voyages.

2.13 Financial assets

Initial recognition and measurement

Financial assets are recognised on the balance sheet 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 and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

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) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

2. Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

Subsequent measurement (continued)

(d) 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.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.14 Impairment of financial assets

The Group assesses at each balance sheet 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 assets, 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 assets 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) Financial assets carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods.

(c) 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. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

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 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 and work-in-progress

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

Cost is determined on the weighted average method and includes all cost in bringing the inventories to their present location and condition. Net realisable value represents 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.

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

2.17 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 economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date 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. Summary of significant accounting policies (continued)

2.18 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised on the balance sheet 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

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities 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 liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

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 de-recognition 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.

2.19 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.

2.20 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 leave entitlement

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

(c) 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 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.

2. Summary of significant accounting policies (continued)

2.21 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(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 (as lessee) 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 where the Group retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases (as lessor). 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 2.22(e).

2.22 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. Revenue is measured at the fair value of consideration received or receivable. The following specific revenue recognition criteria must also be met before revenue is recognised:

(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.

Charter and rental income is recognised on time apportionment basis.

(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 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.

2.23 Income taxes

(a) Current tax

Current 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 by the balance sheet date in the countries where the Group operates and generates taxable income.

Current taxes are recognised in profit or loss except for those that are related 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 balance sheet date 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, associates and interests in joint ventures, 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, associates and interests in joint ventures, deferred income 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 each 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies (continued)

2.23 Income taxes (continued)

(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.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the balance sheet.

2.24 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and may result in profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge 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 hedging instrument's effectiveness 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 on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as cash flow hedges.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in hedging reserve, while any ineffective portion is recognised as other operating expenses in profit or loss.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or 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 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.

2.25 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 33, including the factors used to identify the reportable segments and the measurement basis of segmental information.

2.26 Share capital and share issue 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.

2.27 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.

2.28 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. Summary of significant accounting policies (continued)

2.29 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 reporting date. However, 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 the future.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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:

(i) Depreciation of vessels, property, plant and equipment

The cost of vessels, property, plant and equipment of the Group is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these vessels, property, plant and equipment to be within 3 to 70 years. These are common life expectancies applied in the industries which the Group is involved. The carrying amount of the Group's vessels, property, plant and equipment at 31 December 2011 was $272,162,000 (2010: $264,064,000). Management does not expect any significant changes in the expected level of usage and technological developments that could impact the economic useful lives, the residual values of these assets and the future depreciation charges.

(ii) Income taxes

The Group has exposure to income taxes in certain jurisdictions. Judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax payables and deferred tax liabilities at 31 December 2011 were $7,872,000 (2010: $833,000) and $6,328,000 (2010: $6,162,000) respectively.

(iii) Recoverable amount of vessels, property, plant and equipment

The Group assesses whether there are any indicators of impairment for vessels, property, plant and equipment following the guidance of FRS 36. Vessels, property, plant and equipment are tested for impairment annually and at other times when such indicators exists that the carrying amounts may not be recoverable.

The Group evaluates, among other factors the duration and extent to which the fair value of the vessels, property, plant and equipment is less than its cost; and the financial health of and near-term business outlook for the business operation, including factors such as industry and sector performance, changes in technology and operational and financial cash flows.

(iv) Impairment of loans and receivables

The Group assesses at each balance sheet date 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 15 to the financial statements.

(b) Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Fair value of financial instruments

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 30 to the financial statements.

3. Revenue

	Group	
	2011	2010
	$'000	$'000
Sale of goods	**437,485**	314,354
Rendering of services	**75,194**	77,038
	512,679	391,392

Revenue represents the invoiced value of goods supplied and services rendered, after allowing for goods returned and trade discounts. This excludes dividend income, interest income and rental income.

4. Profit before income tax

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 income tax:

	Group	
	2011	2010
	$'000	$'000
(a) Other income		
Gain on disposal of vessels, property, plant and equipment	**16**	1,222
Dividend income from available-for-sale investments	**4,328**	3,812
Jobs credit grant*	**–**	91
Interest income from		
Loans and receivables	**364**	167
Available-for-sale investments	**20**	104
Net fair value (loss)/gain on held for trading investments	**(35)**	777
Others	**1,888**	1,004
	6,581	7,177

* During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme (Scheme). Under this Scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each employee on their Central Provident Fund payroll. During the year ended 31 December 2010, the Group received grant income of $91,000 under the Scheme.

	Group	
	2011	2010
	$'000	$'000
(b) Other expenses		
Foreign exchange loss	**(457)**	(567)
Land rental and land usage tax	**(7,885)**	(8,358)
Hire of equipment, maintenance and consumables	**(11,819)**	(9,999)
Marketing expenses	**(1,330)**	(752)
Insurance expenses	**(1,370)**	(1,799)
Write-back of allowance for impairment of trade receivables	**35**	529
Write-off of vessels, property, plant and equipment	**(1,272)**	–
Provision for impairment of vessels, property, plant and equipment	**(823)**	–
Provision for inventory obsolescence	**(429)**	–
Legal fees	**(795)**	(517)
Utilities	**(3,918)**	(3,339)
Other facilities and office expenses	**(6,823)**	(4,396)
	(36,886)	(29,198)

5. Staff costs

	Group	
	2011	2010
	$'000	$'000
Staff costs (including executive directors)		
Salaries, allowances and bonuses	**(25,085)**	(15,339)
Central Provident Funds and other retirement contribution plans	**(1,296)**	(1,139)
Share-based payment (share options)	**(184)**	(218)
Other personnel related expenses	**(2,053)**	(1,824)
	(28,618)	(18,520)

Share option scheme

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

	2011		2010	
	No. of share options	**WAEP ($)**	No. of share options	WAEP ($)
Outstanding at beginning of year	**8,231,000**	**0.574**	10,182,000	0.525
Granted during the year (Note c)	**2,057,000**	**0.470**	2,015,000	0.530
Exercised during the year (Note a)	**(529,000)**	**0.405**	(3,873,000)	0.422
Forfeited/lapsed during the year	**(204,000)**	**0.609**	(93,000)	0.598
Outstanding at end of year (Note b)	**9,555,000**	**0.560**	8,231,000	0.574
Exercisable at end of year	**6,088,000**	**0.599**	4,758,000	0.625

Notes

(a) The weighted average share price at the date of exercise for the options exercised was $0.504 (2010: $0.539).

(b) The range of exercise prices for options outstanding at the end of the year was $0.38 to $0.83 (2010: $0.38 to $0.83). The weighted average remaining contractual life for these options is 6.3 years (2010: 6.7 years).

(c) The weighted average fair value of options granted during the year was $0.07 (2010: $0.10).

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 were granted. The inputs to the financial model used for the options granted are shown below:

	2011	2010
Dividend yield (%)	**8.60**	5.77
Expected volatility (%)	**33.26**	36.13
Risk-free interest rate (%)	**0.29**	0.40
Average expected life of option (years)	**4.09**	4.07
Share price ($)	**0.47**	0.53

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.

6. Finance costs

	Group	
	2011	2010
	$'000	$'000
Interest expense on bank loans	**(4,597)**	(4,885)
Interest expense on loan from non-controlling interests	**(33)**	–
Others	**(110)**	(150)
	(4,740)	(5,035)

7. Income tax

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

	Group	
	2011	2010
	$'000	$'000
Income statement		
Current income tax		
Current income taxation	**(10,688)**	(3,232)
Overprovision in respect of previous years	**34**	1,333
Deferred income tax		
Movement in temporary differences	**849**	(1,190)
Underprovision in respect of previous years	**(91)**	(490)
Provision for withholding tax on unremitted foreign dividend	**(924)**	(723)
Income tax expense recognised in the income statement	**(10,820)**	(4,302)

(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 2011 and 2010 are as follows:

	Group	
	2011	2010
	$'000	$'000
Accounting profit before income tax	**49,258**	31,658
Tax at the domestic rates applicable to profits in the countries where the Group operates	**(10,899)**	(6,321)
Adjustments		
Expenses not allowable for tax purpose	**(2,148)**	(461)
Effect of partial tax exemption	**3,063**	1,740
Income not subject to taxation	**580**	324
Overseas income subject to different tax rate	**338**	284
Deferred tax assets not recognised	**(331)**	–
Tax effect on losses from foreign subsidiary	**(432)**	–
(Under)/overprovision in respect of previous years	**(57)**	843
Provision for withholding tax on unremitted foreign dividend	**(924)**	(723)
Others	**(10)**	12
Income tax expense recognised in the income statement	**(10,820)**	(4,302)

In accordance with the Income Tax Law of the People's Republic of China (PRC) concerning Foreign Investment Enterprises and Foreign Enterprises, a subsidiary, Changshu Xinghua Port Co., Ltd (CXP), is entitled to income tax exemption for the first five years commencing from the first profitable year (after deducting tax losses carried forward) and a 50% tax reduction for the succeeding five years.

The PRC New Corporate Income Tax Law was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. According to the detailed implementation rules of the New Corporate Income Tax Law, the income tax rate will rise in stages to 18%, 20%, 22%, 24% and finally 25% over five years from 2008. CXP is in its tenth profit-making year and accordingly, the applicable income tax rate is 12% (2010: 11%).

Notes to the Financial Statements (continued)

7. Income tax (continued)

(b) Relationship between tax expense and accounting profit (continued)

In addition, under Section 13A of the Singapore Income Tax Act, profits derived from the operation and charter of Singapore registered vessels outside Singapore coastal limits are exempted from income tax.

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

8. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit for the year that is attributable to ordinary 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 income statement and share data used in the computation of basic and diluted earnings per share for the years ended 31 December 2011 and 2010:

	Group	
	2011 $'000	2010 $'000
Profit net of tax for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	**30,356**	20,275
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	**556,948**	554,460
Effect of dilution on share options	**217**	354
Weighted average number of ordinary shares for diluted earnings per share computation	**557,165**	554,814

9. Vessels, property, plant and equipment

	Group							
	Vessels $'000	**Drydocking 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 2010	86,786	1,369	27,641	123,031	119,180	2,495	11,861	372,363
Additions	330	1,344	–	5,135	3,736	3,244	1,374	15,163
Disposals	(15,195)	–	–	(54)	(2,470)	–	(995)	(18,714)
Reclassification	–	–	–	2,336	2,063	(4,428)	29	–
Currency re-alignment	(243)	–	(1,285)	(6,163)	(2,546)	(18)	(465)	(10,720)
At 31 December 2010 and 1 January 2011	71,678	2,713	26,356	124,285	119,963	1,293	11,804	358,092
Acquisition of a subsidiary (Note 10)	–	–	926	603	170	–	4,306	6,005
Additions	–	580	–	156	9,069	5,035	2,658	17,498
Disposals	–	–	–	(14)	(1,739)	–	(790)	(2,543)
Write-off	–	(259)	–	–	(2,545)	–	–	(2,804)
Reclassification	–	–	–	1,622	748	(2,447)	77	–
Currency re-alignment	–	–	1,290	6,400	3,923	25	(1,129)	10,509
At 31 December 2011	71,678	3,034	28,572	133,052	129,589	3,906	16,926	386,757

	Group							
	Vessels $'000	Drydocking expenses $'000	Leasehold land $'000	Leasehold buildings $'000	Plant and machinery $'000	Construction-in-progress $'000	Other assets $'000	Total $'000
Accumulated depreciation and impairment								
At 1 January 2010	20,709	580	7,992	15,621	42,087	–	5,489	92,478
Depreciation charge for the year	5,609	544	533	2,764	8,484	–	1,352	19,286
Disposals	(12,448)	–	–	(10)	(1,654)	–	(967)	(15,079)
Currency re-alignment	(217)	–	(285)	(845)	(1,083)	–	(227)	(2,657)
At 31 December 2010 and 1 January 2011	13,653	1,124	8,240	17,530	47,834	–	5,647	94,028
Depreciation charge for the year	5,009	918	517	2,899	8,820	–	2,861	21,024
Disposals	–	–	–	(14)	(1,682)	–	(734)	(2,430)
Write-off	–	(207)	–	–	(1,325)	–	-	(1,532)
Impairment loss	–	–	–	3	812	–	8	823
Currency re-alignment	–	–	323	1,046	2,380	–	(1,067)	2,682
At 31 December 2011	18,662	1,835	9,080	21,464	56,839	–	6,715	114,595
Net carrying amount								
At 31 December 2011	53,016	1,199	19,492	111,588	72,750	3,906	10,211	272,162
At 31 December 2010	58,025	1,589	18,116	106,755	72,129	1,293	6,157	264,064

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

During the financial year ended 31 December 2010, vessels with a carrying amount of $36,046,000 were subject to a fixed charge to secure a subsidiary's bank loan (Note 18). The bank loan has been fully paid in the current financial year.

	Company
	Other assets $'000
Cost	
At 1 January 2010	1,250
Additions	292
Disposals	(597)
At 31 December 2010 and 1 January 2011	945
Additions	31
Disposals	–
At 31 December 2011	976
Accumulated depreciation	
At 1 January 2010	776
Depreciation charge for the year	164
Disposals	(596)
At 31 December 2010 and 1 January 2011	344
Depreciation charge for the year	144
Disposals	–
At 31 December 2011	488
Net carrying value	
At 31 December 2011	488
At 31 December 2010	601

10. Subsidiaries

	Company 2011 $'000	Company 2010 $'000
Unquoted equity shares, at cost	**27,377**	27,377
Impairment losses	**(2,466)**	(2,466)
	24,911	24,911
Amounts due from subsidiaries		
Interest-free	**69,792**	68,170
Interest bearing (2% per annum)	**7,281**	8,549
Amounts due to subsidiaries	**(14,213)**	(14,622)
	62,860	62,097
Allowance for doubtful debts	**(709)**	(709)
	62,151	61,388
	87,062	86,299

The amounts due from subsidiaries are unsecured and are not expected to be repaid in the foreseeable future.

The amounts due to subsidiaries are non-interest bearing and are not expected to be repaid within the next twelve months. These amounts are unsecured 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 2011 %	Effective shareholding held by the Group 2010 %
(a)	Singapore Changshu Development Company Pte Ltd (Singapore)	Investment holding	**54**	54
	Pan-United Shipping Pte Ltd (Singapore)	Provision of shipping services and trading	**100**	100
	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 and cement trading and distribution	**100**	100
	P.U. Harmony Pte Ltd (Singapore)	Provision of ship chartering services	**100**	100
	P.U. Success Pte Ltd (Singapore)	Provision of ship chartering services	**100**	100
	P.U. Vision Pte Ltd (Singapore)	Provision of ship chartering services	**100**	100
	Tinggi Shipping Pte Ltd (Singapore)	Provision of ship chartering 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
	Pan-United Infrastructure Pte Ltd (Singapore)	Investment holding	**100**	100
(a)	Pan-United International Pte Ltd (Singapore)	Investment holding	**100**	100
(a)	Changshu Xinghua Port Co., Ltd (People's Republic of China)	Operation of a port and related services	**51**	51

Name of subsidiaries (Country of incorporation)		Principal activities	Effective shareholding held by the Group 2011 %	2010 %
(a)	P.U. Barge Pte Ltd (Singapore)	Provision of ship chartering services	**100**	100
(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)	Priscojaya Sdn Bhd (Malaysia)	Quarry operator	**80**	80
(b)	Inter Terminal General Trading LLC (United Arab Emirates)	Trading of cement and slag related products	**–**	49 (c)
(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	**80**	–
(a)	Fico Pan-United Concrete Joint Stock Company (Vietnam)	Manufacture and supply of ready mixed concrete and related products	**55**	–
(a)	Raffles Cement Pte Ltd (Singapore)	Cement silo operator, cement trading and distribution	**49 (c)**	–
(a)	Raffles Concrete Pte Ltd (Singapore)	Manufacture and supply of ready mixed concrete and related products	**100**	–

(a) Held by subsidiaries.
(b) The subsidiary was liquidated during the financial year.
(c) Although the Group owns less than half of the voting power of each of these entities, it is able to govern the financial and operating policies and control the composition of the board of directors of each entity. Consequently, the Group consolidates these investments as subsidiaries of the Group.

All subsidiaries that are required to be audited under the law of country of incorporation are audited by Ernst & Young and its member firms in the respective countries, except for the following:

Name of subsidiary	Name of accounting firm
Priscojaya Sdn Bhd	SKW Associates, Chartered Accountant, Malaysia
PT. Pacific Granitama	DBS&D, Registered Public Accountants
Raffles Cement Pte Ltd	Not required to be audited for the year ended 31 December 2011
Raffles Concrete Pte Ltd	Not required to be audited for the year ended 31 December 2011

10. Subsidiaries (continued)

Acquisition of a subsidiary
On 12 May 2011, the Group's subsidiary, Resources Development (2010) Pte Ltd, completed the acquisition of an 80% equity interest in PT. Pacific Granitama ("PTPG"), a quarry operator in Indonesia. Upon completion of the acquisition, PTPG became a subsidiary of the Group.

The fair values of identifiable assets and liabilities of PTPG at the date of acquisition were:

	Fair value recognised on acquisition $'000
Property, plant and equipment	6,005
Inventories	885
Total assets	6,890
Trade and other payables	–
Total liabilities	–
Net identifiable assets at fair value	6,890
Non-controlling interests measured at the non-controlling interests' proportionate share of PTPG's net identifiable assets	(1,138)
Goodwill arising from acquisition	2,345
	8,097
Consideration transferred for the acquisition of PTPG	
Advances for investment (Note 16)	9,872
Less: contribution from non-controlling interest	(1,775)
Net cash outflow on acquisition	8,097

Transaction costs
Transaction costs related to the acquisition amounting to $200,000 have been recognised in the 'Other expenses' line item in the Group's profit or loss for the year ended 31 December 2011.

Impact of acquisition on profit or loss
From the date of acquisition, PTPG has contributed $4,992,000 of revenue and a net loss of $1,383,000 to the Group for the year.

11. Associates

	Group	
	2011 **$'000**	2010 $'000
Unquoted equity shares, at cost	**3,653**	3,653
Share of post-acquisition reserves	**1,024**	1,291
Currency re-alignment	**(59)**	(288)
Carrying amount of investment	**4,618**	4,656

Details of the associates are as follows:

Name of associates (Country of incorporation)	Principal activities	Percentage of equity interest	
		2011 **%**	2010 %
(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**	25
(b) Changshu Xinghua Transportation Co., Ltd (People's Republic of China)	Provision of logistic services	**49**	49

The associates are held by a subsidiary.

(a) Audited by Deloitte Touche Tohmatsu CPA Ltd in the People's Republic of China.
(b) This foreign associate is not considered significant as defined under Rule 716 of the Listing Manual of Singapore Exchange Securities Trading Limited.

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

	Group	
	2011 **$'000**	2010 $'000
Assets and liabilities		
Current assets	**18,388**	16,753
Non-current assets	**7,278**	8,010
Total assets	**25,666**	24,763
Current liabilities	**4,671**	5,605
Total liabilities	**4,671**	5,605
Results		
Revenue	**44,364**	37,137
Profit for the year	**6,767**	5,704

12. Other investments

	Group		Company	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Current				
Available-for-sale investments				
Short-term commercial papers	**–**	1,286	**–**	1,286
Non-current				
Held for trading investments				
Quoted equity shares	**15,648**	15,683	**13**	14
Available-for-sale investments				
At cost				
Unquoted equity investments	**8,335**	8,335	**2,704**	2,704
Others	**492**	520	**–**	32
	8,827	8,855	**2,704**	2,736
Less impairment in value	**(7,049)**	(7,072)	**(2,536)**	(2,566)
	1,778	1,783	**168**	170
	17,426	17,466	**181**	184

13. Goodwill

Goodwill arose from the acquisition of an 80% equity interest in PT. Pacific Granitama in the financial year ended 31 December 2011 (Note 10).

Impairment testing of goodwill

For impairment testing purposes, goodwill was allocated to the individual entity which was also the cash-generating unit. The recoverable amount was determined based on value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. A pre-tax discount rate applied to the cash flow projections and a forecasted growth rate were used to extrapolate cash flows beyond the five-year period.

No impairment loss was recognised in the current financial year.

14. Cash and cash equivalents

	Group		Company	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Cash and bank balances	**38,559**	35,314	**22,887**	11,926
Fixed deposits	**52,632**	58,876	**45,065**	56,027
Cash and cash equivalents	**91,191**	94,190	**67,952**	67,953

No interest was earned for cash at banks (2010: Nil). Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The effective interest rate of short-term deposits range from 0.17% to 0.70% (2010: 0.14% to 0.63%) per annum.

15. Trade and other receivables

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Trade and other receivables (current)				
Trade receivables	**112,044**	76,492	**–**	–
Amounts due from associates	**1,335**	783	**–**	–
Amounts due from subsidiaries	**–**	–	**1,899**	1,822
Refundable deposits	**1,714**	2,019	**19**	7
Sundry receivables	**6,689**	3,280	**342**	302
Total trade and other receivables	**121,782**	82,574	**2,260**	2,131
Cash and cash equivalents (Note 14)	**91,191**	94,190	**67,952**	67,953
Total loans and receivables	**212,973**	176,764	**70,212**	70,084

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

Amounts due from associates are unsecured, non-interest bearing and are to be settled in cash. These are generally on 30 to 90 days' term.

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 $53,502,000 (2010: $39,949,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	Group	
	2011	2010
	$'000	$'000
Trade receivables past due		
Less than 30 days	**35,603**	23,117
30 to 60 days	**13,394**	12,622
61 to 90 days	**3,116**	2,168
91 to 120 days	**1,179**	596
More than 120 days	**210**	1,446
	53,502	39,949

15. Trade and other receivables (continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2011	2010
	$'000	$'000
Trade receivables – nominal amounts	**1,918**	2,515
Less: Allowance for impairment	**(1,918)**	(2,515)
	–	–
Movement in allowance accounts		
At 1 January	**2,515**	3,094
Charge for the year	**(60)**	(529)
Written-off	**(579)**	–
Currency re-alignment	**42**	(50)
At 31 December	**1,918**	2,515

Trade receivables that are individually determined to be impaired at the balance sheet date 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.

16. Advances for investment

The advances were made for a deposit for an investment in a company in Indonesia. The acquisition was completed during the current financial year. Upon completion of the acquisition, the company became a subsidiary of the Group (Note 10).

17. Inventories

	Group	
	2011	2010
	$'000	$'000
Balance sheet		
Raw materials	**7,727**	7,942
Finished goods	**5,268**	3,854
Consumables	**3,012**	2,352
	16,007	14,148
Income statement		
Inventories recognised as an expense in cost of sales	**296,147**	241,335

18. Bank loans

	Group	
	2011 **$'000**	2010 $'000
Current		
Secured (Note a)	**–**	5,000
	–	5,000
Non-current		
Secured (Note a)	**–**	16,250
Unsecured (Note b)	**73,130**	78,000
	73,130	94,250
	73,130	99,250

Notes

(a) The secured bank loan was denominated in SGD, with a first priority mortgage over certain vessels of a subsidiary and bear interest of 1.68% to 1.78% (2010: 1.80% to 1.86%) per annum. This loan was fully paid during the current financial year.

(b) The unsecured bank loans are denominated in Renminbi and bear interest of 5.35% to 6.27% (2010: 5.35% to 5.64%) per annum. The loans are repayable between 2014 and 2017.

19. Payables and accruals

	Group		Company	
	2011 **$'000**	2010 $'000	**2011** **$'000**	2010 $'000
Payables and accruals (current)				
Trade payables	**65,353**	44,889	**–**	–
Other payables	**7,316**	6,452	**338**	298
Accruals	**13,017**	5,587	**1,994**	1,234
Total payables and accruals	**85,686**	56,928	**2,332**	1,532
Bank loans (Note 18)	**73,130**	99,250	**–**	–
Total financial liabilities carried at amortised cost	**158,816**	156,178	**2,332**	1,532

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.

20. Deferred income

	Group	
	2011 **$'000**	2010 $'000
Income recognisable within 12 months		
Voyages-in-progress	**4,814**	818
Lease income	**186**	176
	5,000	994
Income recognisable thereafter		
Lease income	**1,805**	1,885
	6,805	2,879

20. Deferred income (continued)

In 1997 and 2000, a subsidiary of the Group separately entered into two contracts with an associate for the lease of two plots of land, the land-use-rights of which are owned by the subsidiary. Under the contracts, the associate is required to pay the lease price of USD2,726,100.

Both the lease contracts have a lease term of 25 years. Upon receipt of written request of the associate and subject to satisfactory fulfilment of certain conditions as stipulated in the lease contracts, the associate has the rights to extend the lease for terms to be agreed by the subsidiary and the associate.

The subsidiary recognises the fully paid lease income over the lease term of 25 years from the contract commencement date.

21. Provisions

	Group		
	Land reinstatement cost $'000	**Litigation claim $'000**	**Total $'000**
At 1 January 2010	3,649	1,957	5,606
Recognised during the financial year	330	–	330
Utilised	(286)	–	(286)
Unused amounts reversed	(316)	–	(316)
Currency re-alignment	–	(105)	(105)
At 31 December 2010 and 1 January 2011	3,377	1,852	5,229
Recognised during the financial year	820	–	820
Utilised	(176)	–	(176)
Unused amounts reversed	(57)	–	(57)
Currency re-alignment	–	104	104
At 31 December 2011	3,964	1,956	5,920
Current 2011	514	1,956	2,470
Non-current 2011	3,450	–	3,450
	3,964	1,956	5,920
Current 2010	547	1,852	2,399
Non-current 2010	2,830	–	2,830
	3,377	1,852	5,229

Land reinstatement cost

Provision for land reinstatement cost is determined based on past experience. The cost is capitalised as part of plant and machinery in vessels, property, plant and equipment and amortised over the remaining leasehold periods. During the year, an amount of $57,000 (2010: $316,000) was unused and reversed to the income statement following the expiry of the leases. The amount reversed was included in "Other expenses".

Litigation claim

Changshu Xinghua Port Co., Ltd (CXP), was involved in a litigation in relation to which a customer of CXP, is the first defendant. The plaintiff commenced an action against the first defendant for the supply of low quality and different grade of stainless steel rolls from the supply contract previously entered into by both parties. CXP, who acted as the cargo handler, was named as the second defendant in this legal case.

A first instance court verdict was rendered on 5 February 2008 which allowed the plaintiff to claim about RMB38.28 million and ordered CXP to bear supplemental liabilities up to RMB24.10 million if the first defendant could not pay. CXP appealed to Shanghai High People's court to revoke the verdict. However, Shanghai High People's court rendered a final and enforceable verdict on 18 June 2008, affirming the first instance court verdict.

CXP subsequently applied to the PRC Supreme People's Court for a retrial and in December 2010, the court rendered a judgement in favour of CXP. The provision remaining at the end of the reporting period represents legal costs associated with this claim.

22. Deferred tax liabilities

	Group	
	2011	2010
	$'000	$'000
Balance at beginning of year	**6,162**	3,756
Utilisation during the year	**(875)**	(681)
Provision for the year	**117**	2,361
Provision for withholding tax on unremitted foreign dividend	**924**	723
Foreign currency re-alignment	**–**	3
	6,328	6,162
The deferred tax liabilities principally arise as a result of		
Excess of net book value over tax written down value of vessels, property, plant and equipment	**5,404**	5,439
Provision for withholding tax on unremitted foreign dividend	**924**	723
	6,328	6,162

23. Other liabilities

Other liabilities are mainly advances from non-controlling interests, which are denominated in Vietnamese Dong, unsecured, non-trade related and bear interest at 18% per annum.

24. Share capital

	Group and Company			
	2011		2010	
	No. of shares '000	**$'000**	No. of shares '000	$'000
Issued and fully paid				
At 1 January	**555,500**	**87,843**	551,627	85,707
Exercise of employee share options (Note 5)	**529**	**261**	3,873	2,136
At 31 December	**556,029**	**88,104**	555,500	87,843

The holders of ordinary 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.

25. Capital reserve

The capital reserve of the Group comprises the reserve fund, enterprise expansion fund and staff bonus and welfare fund transferred from retained earnings by an overseas subsidiary in compliance with statutory requirements.

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 income statement as it is a liability due to employees.

26. Other reserves

	Group		Company	
	2011 **$'000**	2010 $'000	**2011** **$'000**	2010 $'000
Hedging reserve	**–**	–	**–**	–
Employee share option reserve	**739**	602	**739**	602
	739	602	**739**	602

(a) Hedging reserve

Hedging reserve records the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that are determined to be effective hedges.

	Group		Company	
	2011 **$'000**	2010 $'000	**2011** **$'000**	2010 $'000
At 1 January	**–**	(377)	**–**	(377)
Net gain on fair value changes during the year	**–**	377	**–**	377
At 31 December	**–**	–	**–**	–

(b) 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.

	Group and Company	
	2011 **$'000**	2010 $'000
At 1 January	**602**	886
Cost of share-based payment (share options)	**184**	218
Issue of shares under share option scheme	**(47)**	(502)
At 31 December	**739**	602

27. 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	
	2011 **$'000**	2010 $'000
At 1 January	**(4,301)**	(1,861)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**2,428**	(2,440)
At 31 December	**(1,873)**	(4,301)

28. Commitments and contingencies

(a) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:

	Group	
	2011	2010
	$'000	$'000
Capital commitments in respect of plant and machinery	**2,014**	169

(b) Operating lease commitments – As lessee

As at the balance sheet date, future minimum rentals payable under non-cancellable leases are as follows:

	Group	
	2011	2010
	$'000	$'000
Within one year	**3,668**	2,656
After one year and within five years	**5,124**	3,847
More than five years	**827**	1,479
	9,619	7,982

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. However, the increase will not exceed 8% (2010: 8%) of the annual rent for each immediate preceding year.

Operating lease payments recognised in the consolidated income statement during the year amount to $6,111,000 (2010: $7,033,000).

(c) Operating lease commitments – As lessor

As at the balance sheet date, future minimum lease payments to be received under non-cancellable leases are as follows:

	Group	
	2011	2010
	$'000	$'000
Within one year	**31**	43
After one year and within five years	**4**	–
	35	43

The above balances are amounts in relation to leases on the Group's property. These non-cancellable leases have remaining lease terms of one to three years (2010: one year).

29. 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	
	2011	2010
	$'000	$'000
Transactions with associates		
Discharging fee income	**9,267**	8,217
Wharfage fee income	**3,771**	3,863
Miscellaneous income	**105**	105
Lease rental income	**2,244**	2,377
Equipment lease rental expense	**(2)**	(26)
(b) Compensation of key management personnel		
Short-term employee benefits	**4,017**	3,258
Central Provident Fund contributions	**81**	78
	4,098	3,336
Comprise amounts paid to		
Directors of the Company	**2,234**	2,080
Other key management personnel	**1,864**	1,256
	4,098	3,336

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 $0.47 each and exercisable between 18 November 2012 and 17 November 2016 under Scheme 2002 (Note 5).

30. Fair value of financial instruments

(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			
		2011 $'000		2010 $'000		**2011 $'000**		2010 $'000	
	Notes	**Quoted prices in active markets for identical instruments Level 1**	**Significant other observable inputs Level 2**	Quoted prices in active markets for identical instruments Level 1	Significant other observable inputs Level 2	**Quoted prices in active markets for identical instruments Level 1**	**Significant other observable inputs Level 2**	Quoted prices in active markets for identical instruments Level 1	Significant other observable inputs Level 2
Financial assets									
Available-for-sale investments									
Short-term commercial papers	12	**–**	**–**	–	1,286	**–**	**–**	–	1,286
Held for trading investments									
Quoted equity instruments	12	**15,648**	**–**	15,683	–	**13**	**–**	14	–
		15,648	**–**	15,683	1,286	**13**	**–**	14	1,286

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Determination of fair value

Short-term commercial papers (Note 12): Fair value is determined by observed market price at year end.

Quoted equity instruments (Note 12): Fair value is determined directly by reference to their published market price at the balance sheet date.

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

Current trade and other receivables (Note 15), payables and accruals (Notes 19), and current and non-current loans at floating rate (Note 18)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are repriced to market interest rates at or near the balance sheet date.

30. Fair value of financial instruments (continued)

(c) Fair value of financial instruments 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			
		2011		2010		**2011**		2010	
		$'000		$'000		**$'000**		$'000	
	Notes	**Carrying amount**	**Fair value**	Carrying amount	Fair value	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets									
Unquoted equity investments, at cost	12	**8,335**	**(i)**	8,335	(i)	**2,704**	**(i)**	2,704	(i)
Amounts due from subsidiaries, net	10	**–**	**–**	–	–	**62,151**	**(ii)**	61,388	(ii)

(i) Investment in unquoted equity instruments carried at cost (Note 12)

Fair value information has not been disclosed for the Group's investments in unquoted equity instruments 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 does 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 (Note 10) carried at cost

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.

31. 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 raise finance for 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 also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

The Group is 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, credit risk and market 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 year, 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.

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
2011		
Renminbi	**+100**	**(731)**
Renminbi	**-100**	**731**
2010		
Singapore Dollar	+100	(213)
Renminbi	+100	(780)
Singapore Dollar	-100	213
Renminbi	-100	780

(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 dollars (US$), Malaysia Ringgit (RM) and Renminbi (RMB). The foreign currency in which these transactions are denominated in, is mainly US$. The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in US$) amount to $1,767,000 and $259,000 for the Group and the Company respectively.

The Group uses forward currency contracts in managing its foreign currency exchange risk arising from cash flows from anticipated transactions and financing arrangements denominated in foreign currencies respectively. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's investment in its subsidiary in the People's Republic of China is partly hedged by borrowings denominated in RMB.

31. Financial risk management objectives and policies (continued)

(b) Foreign currency risk (continued)

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

			Group	
			2011 $'000	2010 $'000
Profit before tax				
SGD/US$	–	strengthened 3% (2010: 3%)	**+14**	+15
	–	weakened 3% (2010: 3%)	**-14**	-15
US$/SGD	–	strengthened 3% (2010: 3%)	**+53**	+106
	–	weakened 3% (2010: 3%)	**-53**	-106

(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 cash equivalents 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 balance sheet date, 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 15.

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 balance sheet date is as follows:

	Group			
	2011		2010	
	$'000	**% of total**	$'000	% of total
By business segments				
Basic Building Materials	**102,884**	**92**	68,561	90
Shipping	**1,086**	**1**	1,450	2
Port & Logistics	**8,073**	**7**	6,481	8
	112,043	**100**	76,492	100

Financial assets that are neither past due nor impaired

At the balance sheet date, there is no significant concentration of credit risk. The amounts due from top 3 major customers amounted to approximately 22% (2010: 19%) 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. Cash and cash equivalents and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default to 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 15 (Trade and other receivables) and Note 12 (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. The Group also ensures that not more than 20% of the loans and borrowings should mature in the next one year period. At the balance sheet date, nil (2010: 5%) of the Group's loans and borrowings (Note 18) will mature in less than one year.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted payments.

	2011				2010			
	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	**–**	**–**	**17,426**	**17,426**	1,286	–	17,466	18,752
Trade and other receivables	**121,782**	**–**	**–**	**121,782**	82,574	–	–	82,574
Cash and cash equivalents	**91,191**	**–**	**–**	**91,191**	94,190	–	–	94,190
Total undiscounted financial assets	**212,973**	**–**	**17,426**	**230,399**	178,050	–	17,466	195,516
Financial liabilities								
Payables and accruals	**85,686**	**–**	**–**	**85,686**	56,928	–	–	56,928
Bank loans	**–**	**72,660**	**16,738**	**89,398**	5,383	73,066	41,323	119,772
Total undiscounted financial liabilities	**85,686**	**72,660**	**16,738**	**175,084**	62,311	73,066	41,323	176,700
Total net undiscounted financial assets/(liabilities)	**127,287**	**(72,660)**	**688**	**55,315**	115,739	(73,066)	(23,857)	18,816
Company								
Financial assets								
Other investments	**–**	**–**	**181**	**181**	1,286	–	184	1,470
Trade and other receivables	**2,260**	**–**	**–**	**2,260**	2,131	–	–	2,131
Amount due from subsidiaries (Note 10)	**–**	**–**	**77,073**	**77,073**	–	–	76,719	76,719
Cash and cash equivalents	**67,952**	**–**	**–**	**67,952**	67,953	–	–	67,953
Total undiscounted financial assets	**70,212**	**–**	**77,254**	**147,466**	71,370	–	76,903	148,273
Financial liabilities								
Payables and accruals	**2,332**	**–**	**–**	**2,332**	1,532	–	–	1,532
Amount due to subsidiaries (Note 10)	**–**	**–**	**14,213**	**14,213**	–	–	14,622	14,622
Total undiscounted financial liabilities	**2,332**	**–**	**14,213**	**16,545**	1,532	–	14,622	16,154
Total net undiscounted financial assets	**67,880**	**–**	**63,041**	**130,921**	69,838	–	62,281	132,119

31. Financial risk management objectives and policies (continued)

(e) Market risk

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the SGX-ST and are classified as held for trading investments. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the balance sheet date, if the value of the quoted equity shares had been 2% (2010: 2%) higher/lower with all other variables held constant, the Group's profit before tax would have been $313,000 (2010: $314,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments.

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing 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 2011 and 31 December 2010.

As disclosed in Note 25, 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 2011 and 31 December 2010.

The Group monitors capital using gearing ratio, which is calculated as net debt (borrowings less cash and cash equivalents) divided by average capital employed.

	Group	
	2011	2010
	$'000	$'000
Net cash/(debt)	**18,061**	(5,060)
Average capital employed	**329,885**	317,708
Net gearing ratio	**–**	1.6%

The Group did not breach any gearing covenants during the financial years ended 31 December 2011 and 31 December 2010.

33. Segment information

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

(a) The Basic Building Materials segment supplies mainly cement, granite, ready-mixed concrete and refined petroleum products to the construction and marine industries of Singapore.
(b) The Shipping segment operates a fleet of tugboats and barges mainly on charter of affreightment basis.
(c) The Port & Logistics segment relates to the operation of a port in the People's Republic of China and provision of port related services.
(d) 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

2011	Basic Building Materials $'000	Shipping $'000	Port & Logistics $'000	Others $'000	Eliminations $'000	Group $'000
Revenue						
External sales	432,631	21,454	58,594	–	–	512,679
Inter-segment sales	117	618	–	–	(735)	–
Total revenue	432,748	22,072	58,594	–	(735)	512,679
Results						
Segment results	43,627	618	28,759	23	–	73,027
Interest income	50	–	155	179		384
Fair value loss on held for trading investments	–	–	–	(35)	–	(35)
Depreciation expenses	(9,404)	(5,948)	(5,439)	(233)	–	(21,024)
Interest expense	(33)	(178)	(4,419)		–	(4,630)
Share of results of associates	–	–	1,536	–	–	1,536
Profit/(loss) before income tax	34,240	(5,508)	20,592	(66)	–	49,258
Income tax	(7,154)	(72)	(3,323)	(271)	–	(10,820)
Profit/(loss) for the year	27,086	(5,580)	17,269	(337)	–	38,438
Attributable to						
Equity holders of the Company	27,711	(5,823)	8,805	(337)	–	30,356
Non-controlling interests	(625)	243	8,464	–	–	8,082
	27,086	(5,580)	17,269	(337)	–	38,438
Balance Sheet						
Investment in associates	–	–	4,618	–	–	4,618
Additions to non-current assets	13,043	588	3,016	31	–	16,678
Segment assets	193,970	65,449	175,126	93,349	–	527,894
Segment liabilities	83,397	7,443	94,187	1,859	–	186,886

33. Segment information (continued)

(a) Business segments (continued)

2010	Basic Building Materials $'000	Shipping $'000	Port & Logistics $'000	Others $'000	Eliminations $'000	Group $'000
Revenue						
External sales	308,594	29,809	52,989	–	–	391,392
Inter-segment sales	579	903	–	–	(1,482)	–
Total revenue	309,173	30,712	52,989	–	(1,482)	391,392
Results						
Segment results	23,154	5,146	24,697	164	–	53,161
Interest income	7	12	9	243	–	271
Fair value gains on held for trading investments	–	–	–	777	–	777
Depreciation expenses	(7,273)	(6,180)	(5,580)	(253)	–	(19,286)
Interest expense	–	(213)	(4,672)	–	–	(4,885)
Share of results of associates	–	–	1,621	–	–	1,621
Profit/(loss) before income tax	15,888	(1,235)	16,075	931	–	31,659
Income tax	(1,726)	(4)	(2,414)	(159)	–	(4,303)
Profit/(loss) for the year	14,162	(1,239)	13,661	772	–	27,356
Attributable to						
Equity holders of the Company	13,992	(1,461)	6,972	772	–	20,275
Non-controlling interests	170	222	6,689	–	–	7,081
	14,162	(1,239)	13,661	772	–	27,356
Balance Sheet						
Investment in associates	–	–	4,656	–	–	4,656
Additions to non-current assets	9,141	1,677	3,724	292	–	14,834
Segment assets	156,592	69,225	169,417	94,809	–	490,043
Segment liabilities	47,676	25,495	96,556	1,554	–	171,281

(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	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Singapore	**432,785**	319,619	**132,399**	138,424
China	**58,475**	54,670	**152,028**	146,693
Others	**21,419**	17,103	**12,464**	1,069
Total	**512,679**	391,392	**296,891**	286,186

Non-current assets information presented above comprise vessels, property, plant and equipment, investments in associates and other investments as presented in the consolidated balance sheet.

34. Dividends

	Group and Company	
	2011 $'000	2010 $'000
Declared and paid during the year		
Dividends on ordinary shares		
Final exempt (one-tier) dividend for 2010: 1.5 cents (2009: 1.5 cents) per share	**8,339**	8,330
Interim exempt (one-tier) dividend for 2011: 1.5 cents (2010: 1.5 cents) per share	**8,340**	8,331
	16,679	16,661
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 2011: 2.0 cents (2010: 1.5 cents) per share	**11,121**	8,333
Dividend per share (in cents)	**3.5**	3.0

35. Authorisation of financial statements

The financial statements of Pan-United Corporation Ltd for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 16 March 2012.

Statistics of Shareholdings

as at 5 March 2012

Class of shares – Ordinary shares fully paid with equal voting rights

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 999	18	0.13	7,328	0.00
1,000 – 10,000	12,325	86.57	40,718,669	7.32
10,001 – 1,000,000	1,882	13.22	85,261,598	15.34
1,000,001 and above	11	0.08	430,041,565	77.34
	14,236	100.00	556,029,160	100.00

		No. of shares in which shareholder has an interest			
Substantial shareholders		Direct interest	%	Deemed interest	%
1	Henry Ng Han Whatt	5,400,000	0.97	336,560,030	60.53
2	Patrick Ng Bee Soon	25,120,030	4.52	318,600,000	57.30
3	Ng Bee Bee	–	–	326,750,002	58.76
4	Jane Kimberly Ng Bee Kiok	–	–	326,700,002	58.76

Notes

The deemed interests of Henry Ng Han Whatt, Patrick Ng Bee Soon, Ng Bee Bee and Jane Kimberly Ng Bee Kiok include their shareholdings held as joint shareholders and the full shareholdings of OCBC Trustee Limited held in nominees.

Based on information available to the Company as at 5 March 2012, approximately 26% of the issued ordinary shares of the Company is 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	176,034,000	31.66
2	Henry Ng Han Whatt, Patrick Ng Bee Soon, Jane Kimberly Ng Bee Kiok and Ng Bee Bee	153,000,000	27.52
3	United Overseas Bank Nominees Pte Ltd	41,195,000	7.41
4	Patrick Ng Bee Soon	25,120,030	4.52
5	DBS Nominees Pte Ltd	21,042,530	3.78
6	Henry Ng Han Whatt	5,400,000	0.97
7	Lee Cheong Seng	3,000,000	0.54
8	OCBC Nominees Singapore Pte Ltd	1,553,005	0.28
9	Tan Wai See	1,358,000	0.24
10	DBSN Services Pte Ltd	1,200,000	0.22
11	HSBC (Singapore) Nominees Pte Ltd	1,139,000	0.20
12	Phillip Securities Pte Ltd	939,098	0.17
13	Tan Boon Huoy	880,000	0.16
14	CIMB Securities (Singapore) Pte Ltd	841,000	0.15
15	Maybank Kim Eng Securities Pte. Ltd.	832,000	0.15
16	Edward Kor Tor Khoon	815,000	0.15
17	Tan Kay Yeong	804,000	0.14
18	DBS Vickers Securities (Singapore) Pte Ltd	790,000	0.14
19	Khong Lai Cheong	779,000	0.14
20	McGregor Annabel Margaret	775,000	0.14
		437,496,663	78.68

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting of the Company (2012 AGM) will be held at Ficus 1, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Thursday, 19 April 2012 at 10.30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and Audited Accounts for the financial year ended 31 December 2011, together with the Auditors' Report therein. **Resolution 1**

2. To declare a final dividend of $0.02 per ordinary share (one-tier tax exempt) for the financial year ended 31 December 2011. **Resolution 2**

3. To re-elect Mr Lee Cheong Seng, a director retiring in accordance with Article 89 of the Company's Articles of Association and who, being eligible, has offered himself for re-election.
   [See Explanatory Note 1a] **Resolution 3**

4. To re-elect Ms Jane Kimberly Ng Bee Kiok, a director retiring in accordance with Article 89 of the Company's Articles of Association and who, being eligible, has offered herself for re-election.
   [See Explanatory Note 1a] **Resolution 4**

5. To re-appoint each of the following directors pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore (the Companies Act) to hold such office until the next Annual General Meeting (AGM) of the Company:
   5.1 Mr Ch'ng Jit Koon **Resolution 5**
   5.2 Mr Cecil Vivian Richard Wong **Resolution 6**
   5.3 Mr Phua Bah Lee **Resolution 7**
   [See Explanatory Note 1b]

6. To approve the payment of directors' fees of $482,500 for the year ending 31 December 2012 (2011: $440,000).
   [See Explanatory Note 2] **Resolution 8**

7. To re-appoint Ernst & Young LLP as auditors of the Company for the financial year ending 31 December 2012 and to authorise the directors to fix their remuneration. **Resolution 9**

SPECIAL BUSINESS

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

8. To grant authority to allot and issue shares up to 50 per centum (50%) of issued capital:
   "That authority be and is hereby given pursuant to Section 161 of the Companies Act and Rule 806(2) of the Listing Manual (the Listing Manual) of the 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 Ordinary Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the directors while this Ordinary Resolution was in force,

   provided that:

   A the aggregate number of Shares to be issued pursuant to this Ordinary Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 50 per centum (50%) of the total number of issued Shares (excluding treasury shares) 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 Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 20 per centum (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph B below);

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) in the capital of the Company at the time this Ordinary 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 Ordinary Resolution is passed; and

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

C in exercising the authority conferred by this Ordinary 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), all applicable legal requirements under the Companies Act and otherwise, and the Articles of Association for the time being of the Company; and

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

Resolution 10

[See Explanatory Note 3]

9. To grant approval for the renewal of the Share Buyback Mandate:
"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 in the capital of the Company 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 (unless revoked or varied by the Company in a general meeting) 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 Ordinary Resolution and expiring on the earliest of:

i the date on which the next AGM of the Company 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;

c in this Ordinary 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 Ordinary Resolution (excluding any Shares which are held as treasury shares 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 Ordinary Resolution."
[See Explanatory Note 4] **Resolution 11**

ANY OTHER BUSINESS

10. To transact any other business that may be transacted at an AGM.

By Order of the Board

Loh Yeen Ying
Company Secretary

Singapore
28 March 2012

Explanatory Notes

1. The Board of Directors, in consultation with the Nominating Committee, recommends to members the re-election of Mr Lee Cheong Seng and Ms Jane Kimberly Ng Bee Kiok, and also the re-appointment of Messrs Ch'ng Jit Koon, Cecil Vivian Richard Wong and Phua Bah Lee:

   a Article 89 of the Company's Articles of Association provides that every director, subject to the Statutes, shall retire from office at least once every three (3) years. A retiring director shall be eligible for re-election. Mr Lee Cheong Seng (Non-Executive Director) and Ms Jane Kimberly Ng Bee Kiok (Executive Director) have consented to their re-election as directors of the Company pursuant to this Article. Upon re-election, Mr Lee Cheong Seng will remain as a member of the Nominating Committee.

   b Section 153(6) of the Companies Act provides that a person of over the age of 70 years may, by an ordinary resolution passed at an AGM of a company be appointed or re-appointed as a director of the company to hold office, or be authorised to continue in office as a director of the company until the next AGM of the company.

   If the Ordinary Resolutions 5, 6 and 7 are passed, Messrs Ch'ng Jit Koon, Cecil Vivian Richard Wong and Phua Bah Lee will each be re-appointed as director to hold office until the next AGM of the Company.

   Upon their re-appointment as directors of the Company,

   - Mr Ch'ng Jit Koon will remain as Chairman of the Board. Mr Ch'ng will also remain as Chairman of both the Executive and Nominating Committees and a member of the Audit Committee. Mr Ch'ng is considered independent for the purpose of Rule 704(8) of the Listing Manual;

- Mr Cecil Vivian Richard Wong will remain as Chairman of the Audit Committee and a member of the Remuneration Committee. Mr Wong is considered independent for the purpose of Rule 704(8) of the Listing Manual; and

- Mr Phua Bah Lee will remain as a member of the Nominating and Remuneration Committees. Mr Phua is considered as an independent director.

2. The Ordinary Resolution 8, if passed, will authorise the directors of the Company to pay directors' fees to non-executive directors for the year ending 31 December 2012.

3. The Ordinary Resolution 10, if passed, will empower the directors of the Company, from the date of the passing of Ordinary Resolution 10 to the date of the next AGM, to issue Shares in the capital of the Company and to make or grant Instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such Instruments, up to an amount not exceeding in total 50 per centum (50%) of the total number of issued Shares (excluding treasury shares), with a sub-limit of 20 per centum (20%) of the total number of issued Shares (excluding treasury shares) for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time that Ordinary Resolution 10 is passed, after adjusting for (a) 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 that Ordinary Resolution 10 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares.

4. The Ordinary Resolution 11, if passed, will empower the directors of the Company to exercise all powers of the Company to purchase or otherwise acquire (whether by way of Market Purchases or Off-Market Purchases) issued and fully paid ordinary Shares in the capital of the Company on terms of the Share Buyback Mandate set out in the letter to shareholders of the Company dated 28 March 2012 (the Letter). The authority conferred by Ordinary Resolution 11 will continue in force until the earliest of:

   a the date on which the next AGM of the Company is held or required by law to be held;

   b 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

   c the date on which the authority contained in the Share Buyback Mandate is revoked or varied.

   The Company intends to use internal sources of funds, or a combination of internal resources and external borrowings, to finance the purchase of its Shares pursuant to the Share Buyback Mandate. The directors of the Company do not propose to exercise the Share Buyback Mandate to such extent that it would materially affect the working capital requirements or the gearing of the Company. It is not possible for the Company to realistically calculate or quantify the impact of purchases of Shares that may be made pursuant to the Share Buyback Mandate on the net asset value and earnings per Share as the resultant effect would depend on, inter alia, whether the purchase is made out of capital or profits, the price paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases and whether the Shares purchased are held in treasury or cancelled.

   An illustration of the financial impact of the share buybacks by the Company pursuant to the Share Buyback Mandate on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2011, is set out in the Letter.

Notes

1. A member of the Company entitled to attend and vote at the 2012 AGM is entitled to appoint a proxy but not more than two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company and where there are two proxies, the number of Shares to be represented by each proxy must be stated.

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 48 hours before the time for holding the 2012 AGM.


OUE
TUNG CENTRE
HSBC
Maybank

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