



Future Flexibility Focus

Corporate Profile

Pan-United Corporation Ltd (PanU), one of Asia's modern and dynamic enterprises, has an integrated building materials resource business and a shipping arm, and also owns and operates Changshu Xinghua Port (CXP) in Changshu, Jiangsu Province, China.

In September 2013, the Group increased its beneficial interest in CXP from 51.3% to 85.5%. Following the move, the Group decided to reinvest profits from the Port & Logistics division for long-term growth. In line with this strategy, PanU announced on 19 February 2014 that CXP had entered into an agreement to acquire a 90% interest in Changshu Changjiang International Port Co., Ltd (CCIP), a port located adjacent to CXP.

The Group's Basic Building Resources division is the largest cement and ready mixed concrete supplier in Singapore and also one of the leading aggregates quarry operators in Southeast Asia. It supplies these basic building materials to both public and private sector projects in Singapore. The division has operations in Singapore, Vietnam, Malaysia and Indonesia.

The Shipping division operates a fleet of young tugboats and barges, which ply Southeast Asia, shipping and supplying coal, gypsum, sand and aggregates.

Under the Group's Port & Logistics division, CXP has grown rapidly to become one of China's top 10 river ports. CXP, with its latest acquisition of CCIP, will create an enlarged port whose overall handling capacity will rise by 60% to 16.0 million tons per annum and berth length will increase by 65% to 2.8km.

Contents

- 1 Future Flexibility Focus
- 2 Group Financial Summary
- 3 Segmental Information
- 4 Value Added Statement
- 5 Corporate Structure
- 6 Chairman's Message
- 8 Other Financial Information
- 9 Corporate Information & Financial Calendar
- 10 Board of Directors
- 12 Operations Review
- 20 Financial Report
- 84 Statistics of Shareholdings
- 85 Notice of Annual General Meeting



Future Flexibility Focus

We are poised for the future. The next phase of growth is now set in motion, underpinned by our investments in Port & Logistics and Basic Building Resources divisions in the year. These investments will intensify our regional presence and market leadership in the medium term.

Having flexibility to suit the market dynamics and changing economic landscape of China and Singapore is key to our growth strategy.

Expanding with a strong focus in building resilience in, and further strengthening of, our core businesses, is essential for sustainable profitable growth for Pan-United.

return on
equity for 2013
15.1%

dividend
yield for 2013

4.4%

Group Financial Summary

	2013 \$'000	2012 \$'000	Increase/ (decrease) %
For the year			
Revenue	727,396	715,327	2
Profit			
From operations	67,783	68,496	(1)
Before interest expense, income tax and non-controlling interests	69,324	70,186	(1)
Before income tax and non-controlling interests	64,404	65,472	(2)
After income tax and before non-controlling interests	52,105	51,264	2
After income tax and non-controlling interests	44,599	43,065	4
Interest expense	4,920	4,714	4
Interest cover (times)	14.1	14.9	(5)
Dividend, paid and proposed	23,785	22,215	7
Dividend cover (times)	1.9	1.9	–
At year end			
Shareholders' funds	273,272	318,850	(14)
Non-controlling interests	19,907	40,798	(51)
Total equity	293,179	359,648	(18)
Total assets	566,035	567,244	–
Total liabilities	272,856	207,596	31
Per share			
Basic earnings (in cents) (note 1)			
Before income tax and non-controlling interests	11.5	11.8	(3)
After income tax and non-controlling interests	8.0	7.8	3
Diluted earnings (in cents) (note 2)			
Before income tax and non-controlling interests	11.5	11.8	(3)
After income tax and non-controlling interests	8.0	7.8	3
Net operating cashflows (in cents) (note 3)	12.3	9.9	24
Dividend (in cents)	4.25	4.00	6
Net asset value as at 31 December (in cents)	48.8	57.5	(15)
Return on shareholders' fund (note 4)	15.1%	14.0%	8
Return on vessels, property, plant and equipment (note 4)	18.4%	18.8%	(2)
Net gearing ratio	0.16	–	N/A

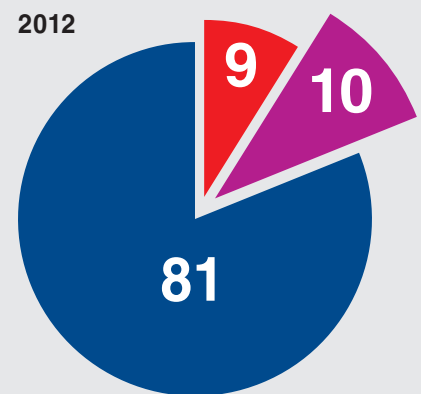
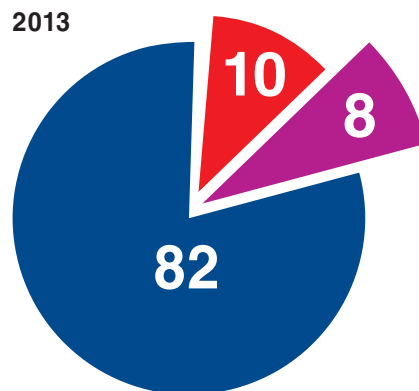
Notes

- 1 The calculation for basic earnings per share is based on 558,725,448 (2012: 554,743,760) weighted average number of shares in issue during the year.
- 2 The calculation for diluted earnings per share is based on 560,111,295 (2012: 555,501,995) weighted average number of shares plus dilutive potential shares from share options 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 and return on vessels, property, plant and equipment, the average basis has been used.

Segmental Information

Revenue (\$'m)	2013	2012
Basic Building Resources	598.81	577.89
Shipping	59.58	73.00
Port & Logistics	69.01	64.44
	727.40	715.33

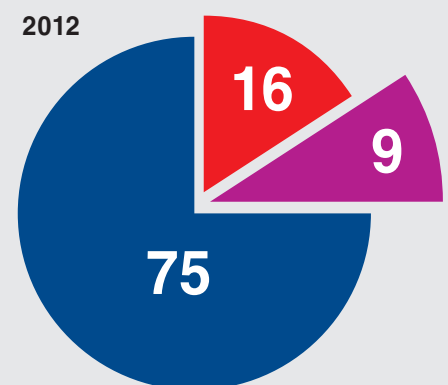
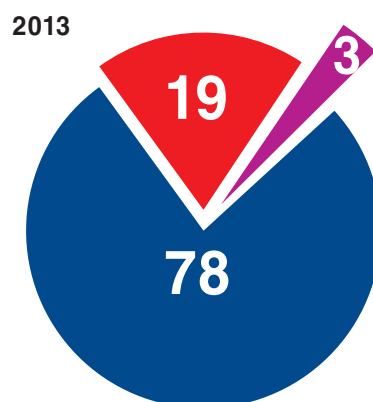
Revenue (%)



■ Basic Building Resources ■ Shipping ■ Port & Logistics

Profit After Tax & Non-controlling Interests (\$'m)	2013	2012
Basic Building Resources	38.34	35.36
Shipping	1.59	4.12
Port & Logistics	9.56	7.61
Others	(4.89)	(4.02)
	44.60	43.07

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



■ Basic Building Resources ■ Shipping ■ Port & Logistics

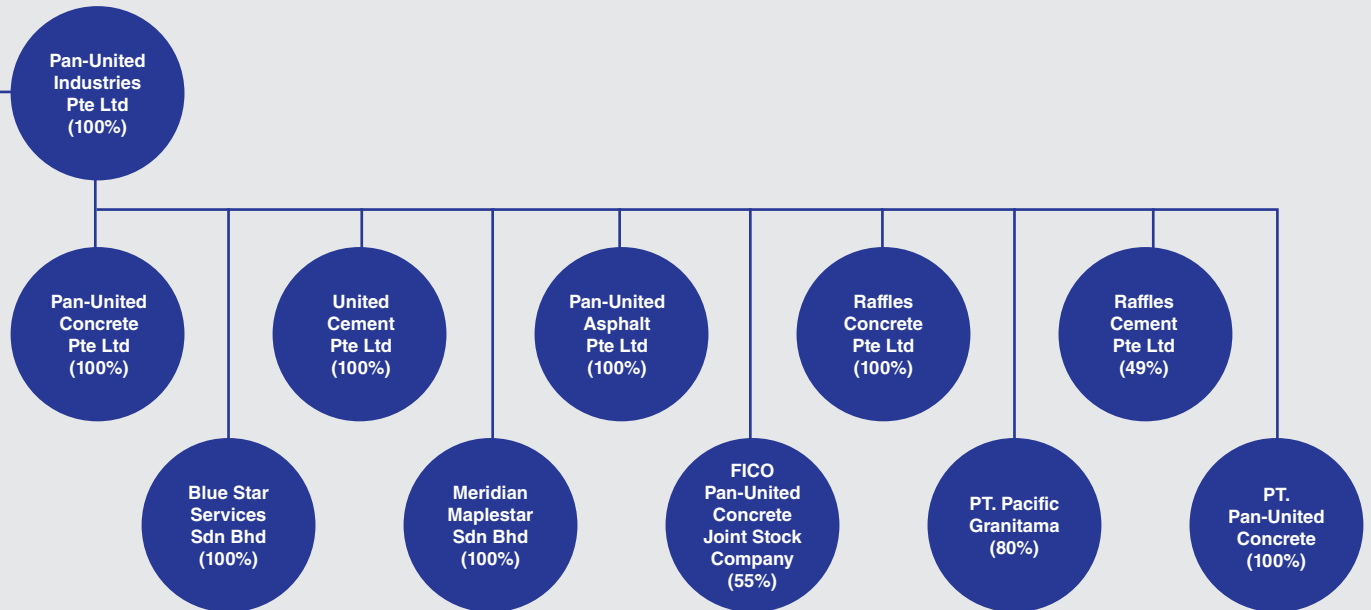
Value Added Statement

	2013 \$'000	2012 \$'000
Value added from		
Revenue earned	727,396	715,327
Less bought in materials and services	(600,633)	(590,651)
Gross value added	126,763	124,676
Other non-operating income/(expense)		
Interest, investment income and other income	4,064	7,730
Share of results of associated companies	2,084	1,931
Foreign exchange gain/(loss)	1,187	(615)
Total Group's value added	134,098	133,722
Distribution of Group's value added		
To providers of capital on		
Interest expense	4,920	4,714
Dividends to non-controlling interests	764	10,151
Dividends to shareholders, paid and proposed	23,785	22,215
	29,469	37,080
To employees in wages, salaries and benefits	34,146	34,283
To government in income and other taxes	22,362	23,437
	85,977	94,800
Balance retained in business		
Depreciation expenses	19,378	20,639
Non-controlling interests	6,742	(1,952)
Retained profit for the year	20,814	20,850
	46,934	39,537
Non-productive item	1,187	(615)
	134,098	133,722
Gross productive analysis		
Number of employees	1,213	1,103
Value added per employee (\$'000)	110.6	121.2
Value added per employee costs (\$)	3.9	3.9
Value added per dollar revenue (cents)	18	19
Value added per dollar investment in vessels, property, plant and equipment (cents)	46	49

Corporate Structure

Pan-United Corporation Ltd

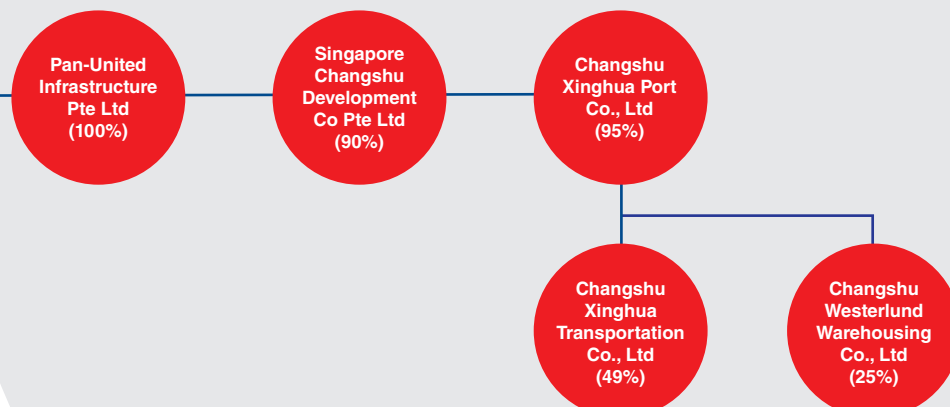
Basic Building Resources



Shipping



Port & Logistics



Chairman's Message

Future

Dear Shareholders,

I am pleased to inform you the Group grew its revenue to \$727.4 million in FY2013, a marginal increase of 2% year-on-year. This was led by Basic Building Resources (BBR) and Port & Logistics divisions, but partly offset by lower trading activities in the Shipping division.

Profit after tax reached \$52.1 million. Attributable profits to shareholders improved to \$44.6 million compared with \$43.1 million in FY2012. Excluding the \$2.2 million vessel disposal gains in FY2012, the Group's core attributable profits grew by 9%. This increase was supported on the back of a steady demand for cement and ready mixed concrete (RMC) in Singapore and a higher beneficial equity interest in the Changshu Xinghua Port (CXP). Although the Shipping division's operating profits was flat in the year, the bulk shipping market was experiencing a gradual recovery going into FY2014.

The Group continued to invest and expand its operations, laying the foundation for growth in its markets. A total of \$131.2 million was invested to expand the BBR division and to increase the Group's interest in CXP.

The capital expenditure of the BBR division was for capacity expansion in the Group's RMC and aggregates operations as well as the third cement silo which was jointly invested with Itochu Corporation and Ube Industries Ltd.

The Group invested \$101.0 million to increase its beneficial interest in CXP from 51.3% to 85.5% with effect from September 2013. In February 2014, the Group further announced the acquisition by CXP of a 90% equity stake in an adjacent contiguous new port, Changshu Changjiang International Port Ltd (CCIP) for RMB436.5 million (approximately \$91.3 million). With the completion of this strategic acquisition, the Group's Port & Logistics division will control and manage a 65% increase in berthing facilities to 2.8km and a 35% increase in land area to 1.36 sq km.

The Group, similar to previous operating years, generated strong positive net cash flow from operations, of \$68.8 million, in 2013 which underpins the Group's consistent ability to pay yearly cash dividends to shareholders. At the end of FY2013, the Group retained a healthy cash balance of \$79.2 million against total bank borrowings of \$127.5 million, representing a net gearing of 0.16 times.

Poised For The Future

In Singapore, the Building Control Authority (BCA) forecasts, for 2014, a construction demand of \$31.0 to 38.0 billion, as measured by contracts to be awarded, compared with \$35.8 billion in 2013. The Group thus foresees a steady demand for cement, aggregates and RMC in FY2014. The Group is committed to further upgrade its operating processes to continuously improve productivity and cost efficiencies.



We are also exploring opportunities in the Southeast Asian region to expand its cement, aggregates and RMC businesses, which will enlarge its footprint in the region.

In China, the increased stake in CXP, together with CXP's acquisition of CCIP, will provide the Group a robust platform to even more efficiently and effectively meet its port customers' growing needs. Amalgamating the two complementary contiguous ports, enhanced synergies will be achieved. Through scaling up its Port & Logistics division, the plan is to create additional positive shareholder value in the medium term. We are optimistic about the medium and longer term growth of the Chinese economy and believes China's deliberate economic shift towards a higher share in domestic consumption will provide even more attractive opportunities.

The Group's strategic roadmap forward is to stay focused on its core businesses, expand through its existing markets, and enter new markets to capture profitable opportunities. While building new markets will require time to realise results; when executed well however, it will further strengthen the Group for long-term sustainable profitable growth.

Proposed Dividend

The Board has recommended a one-tier tax exempt final ordinary dividend of 2.75 cents per share (FY2012: 2.5 cents). The proposed FY2013 final dividend will be distributed on 12 May 2014, if approved by shareholders at the next Annual General Meeting on 21 April 2014.

Including the interim dividend of 1.5 cents per share paid in September 2013, the total dividends for FY2013 will be 4.25 cents (FY2012: 4.0 cents). The total cash dividend distribution of \$23.8 million represents a full-year dividend payout ratio of 53%.

Acknowledgements

On behalf of the Board, I thank all shareholders for your trust and confidence in the Group and all valued customers and business associates for their strong support. I also wish to express my deep appreciation to all employees for their hard work, dedication and commitment to further the Group's achievements. Finally, I would like to repeat my sincere gratitude to my fellow directors for their valuable counsel and wise guidance throughout the years.

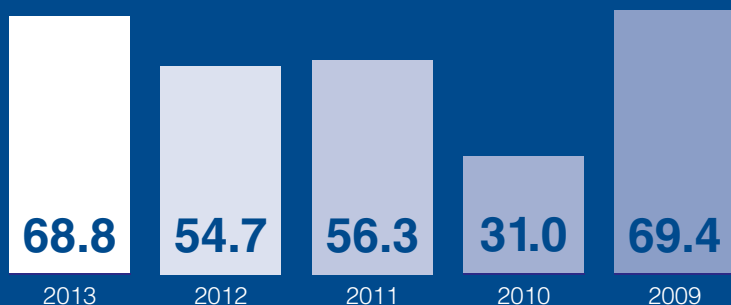
Yours sincerely,

Ch'ng Jit Koon
Chairman

Other Financial Information

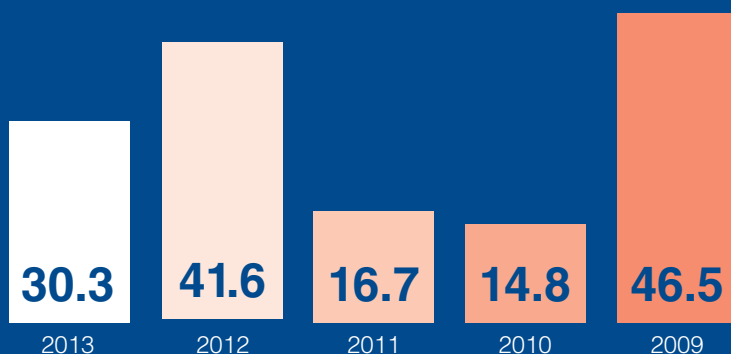
Net Cash Flows

Generated From Operating Activities (\$'m)

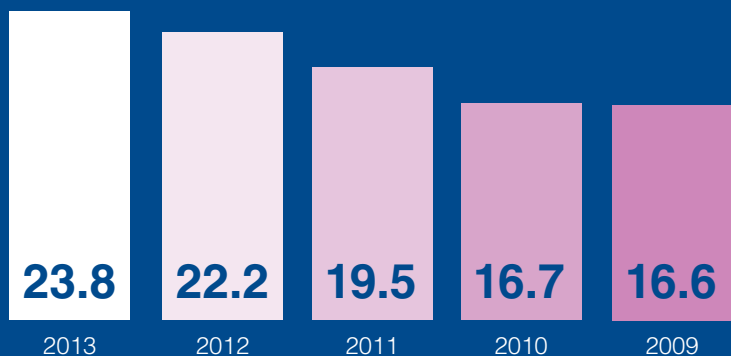


We have **consistently generated strong operating cash flows**, which are used for capital expenditure and dividend payments.

Capital Expenditure (\$'m)



Dividend Payout (\$'m)



Total Dividends Per Share (in cents)

	2013	2012	2011	2010	2009
Ordinary	4.25	4.00	3.50	3.00	3.00

Dividend Payout Ratio (%)

	2013	2012	2011	2010	2009
Ordinary	53	52	64	82	48

Corporate Information

Board of Directors

Chairman

Ch'ng Jit Koon*

Deputy Chairman

Patrick Ng Bee Soon

Chief Executive Officer

Ng Bee Bee

Executive Director

Jane Kimberly Ng Bee Kiok

Independent Directors

Lee Cheong Seng
Cecil Vivian Richard Wong*
Phua Bah Lee
Tay Siew Choon*

Company Secretary

N. Shoba

Registered Office

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

Share Registrar

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

Auditor

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

Audit Partner

Tan Chian Khong (w.e.f. FY2010)

* Audit Committee Members

Financial Calendar



Financial Year End



Announcement of
2013 results



Annual General Meeting



Announcement of
2014 Q1 results



Payment of final dividend



Announcement of
2014 H1/Q2 results



Announcement
of 2014 Q3 results

Board of Directors



Ch'ng Jit Koon

Chairman, Independent Director

Mr Ch'ng was appointed Chairman of Pan-United Corporation Ltd since April 1997. Mr Ch'ng holds a Bachelor of Arts (Economics and Political Science) from the then Nanyang University, Singapore. He 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 January 1997. Mr Ch'ng serves in several community organizations, and is also a director of Ho Bee Land Limited, Progen Holdings Limited and Santak Holdings Limited.



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 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.



Lee Cheong Seng

Independent Director

Mr Lee was re-designated as Independent Director with effect from 1 December 2012 after review by the Nominating Committee. 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. 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 University of Adelaide. He also completed a Diploma of Management Studies programme conducted by University of Chicago Graduate School of Business.



Jane Kimberly Ng Bee Kiok

Executive Director

Ms Ng was appointed Executive Director of Pan-United Corporation Ltd 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). In connection with the demerger of Pan-United Marine Limited (PUM) as a separate listed company in 2004, she relinquished her position in PUC and became an executive director of PUM until July 2007. Ms Ng holds a Bachelor of Science degree, *summa cum laude*, from University of Oregon. She 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. Ms Ng holds a Bachelor of Arts (Honours) degree from University of Western Ontario, Canada. Currently she sits on the board of several subsidiaries in the Group. Ms Ng is the Chairman of both NTUC Choice Homes Co-operative Ltd and Mercatus Co-operative Limited. She is also a director of Choice Homes Investments Pte Ltd and Rivershore Pte Ltd.



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 Ministry 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 then Nanyang University, Singapore, with a Bachelor of Commerce degree. He is also a director of GP Industries Limited, Metro Holdings Limited and Singapura Finance Ltd.



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 University of Cambridge and is a member of the Institute of Certified Public Accountants of Singapore. Mr Wong is also a director of Venture Corporation Limited, Chartered Asset Management Pte Ltd and John K Young Pte Ltd.



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 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.

Flexibility

Basic Building Resources Division

The revenue from the Basic Building Resources (BBR) division improved by 4% to \$598.8 million in FY2013. Net profit after tax jumped 11% to \$39.4 million while attributable profit to shareholders from the division rose 8% to \$38.3 million on the back of increased sales volume and cost savings initiatives.

Building Control Authority (BCA) reported the total construction demand, based on contracts awarded, in FY2013 reached \$35.8 billion compared to \$30.8 billion year-on-year. For FY2014, BCA projects \$31.0 – \$38.0 billion worth of construction contracts to be awarded. Cement demand was maintained at 5.9 million mt, while ready mixed concrete (RMC) demand climbed 6% to 15.0 million m³ in FY2013. RMC demand in Singapore is forecast to be 14 – 16.0 billion m³ in FY2014.

The construction industry faced new challenges in the year with tighter labour supply amidst strong demand and shorter working hours. To support our customers in their drive to increase productivity, we introduced a few new RMC products, like self-leveling



Besides continuing to drive product innovations, we also set new records in our service excellence.

concrete, specifically to reduce manpower requirements for in situ concrete casting works. Using our self-leveling concrete reduces manpower by over 70% and time required to cast also reduced by over 80% with an added advantage of a 15% reduction in noise level. Besides continuing to drive product innovations, we also set new records in our service excellence. For example, during the construction of a certain section of the Marina Coastal Expressway, we supplied on average, one mixer truck of RMC every 90 seconds for 41 hours non-stop, for the mass concreting works required, to the complete satisfaction of our customer.



Investments
were made to
upgrade the
capacity and
improve our
cost efficiency.

The BBR division clinched many new supply contracts in the year, including projects from the private sector like Media Complex at One North, V on Shenton, Watertown Point at Punggol, Tree Trail at Woodlands, Ripple Bay at Pasir Ris, Hillion at Petir Road, The Skywood at Diary Farm, Corals by the Keppel Bay and H₂O Residences. We are also very proud to be the sole RMC supplier to Tanjong Pagar Centre, the tallest building in Singapore when completed in 2016. This integrated development offering commercial, hotel, residential and retail uses, built above the Tanjong Pagar MRT station, calls for some very specialised concrete to be used in this project. New contracts for supply of RMC to institutional projects also included the 428-beds Yishun Community Hospital, Changi Airport Terminal 4 and Overseas Family School.



In addition, new contracts to public sector projects like the 30-km Thomson MRT Line and HDB BTO projects were also won.

In November 2013, wholly owned subsidiary United Cement, renewed its lease at Jurong Port, for its cement terminal for another 20 years. The Group's subsidiary, Raffles Cement Pte Ltd, jointly held with Japan-based Itochu Corporation and Ube Industries Ltd, completed its construction of a new cement terminal in Jurong Port in the year. This expands the Group's cement storage capacity by over 30% to 115,000 mt. With the new facility, it allows us to import more cement and support higher cement sales.

The division's overseas quarries produced aggregates and aggregates products which are used as raw materials in the production of our RMC. Investments were made to upgrade the capacity and improve our cost efficiency. These benefits are expected to come on stream in phases over the next 18 months.

Our RMC joint venture in Vietnam, Fico Pan-United, entered its second full year operations and has reached the first critical milestone of achieving breakeven. We can expect to expand our production capacity as the market improves.

Focus

The Group is in a better position to reinvest the Port's earnings to grow the business further.

Shipping Division

The division's revenue dropped 18% due mainly to lower trading activities. Attributable profits dropped 61% to \$1.6 million due mainly to vessel disposal gains in FY2012 and lower dividend income from our coal investment. The market conditions for our tugboats and barges services are improving with higher demand for bulk shipping. We expect freight rates to recover gradually in FY2014.

Port & Logistics Division

The Chinese economy grew at 7.7% in FY2013, the same as FY2012. Our Changshu Xinghua Port (CXP) handled 3% higher total cargo volume and registered a 7% increase in revenue to \$69.0 million through knowing your customer strategy and working closely with our customers to providing the services to meet their needs.

Utilisation rate of CXP remained high at 89% in the year backed by cargo volume growth. Logs and pulp & paper cargo improved by 15% and 7% respectively, but was partly offset by lower steel cargo volume due to slower global steel demand.



EBITDA from the Port & Logistics division continued to increase to \$29.2 million, from \$28.6 million previously, and attributable profits improved 26% to \$9.6 million due to higher Port profits and higher beneficial interest the Group has in CXP.

In September 2013, the Group invested \$101.0 million to increase its beneficial interest in CXP from 51.3% to 85.5%. With the higher stake, the Group is in a better position to reinvest the Port's earnings to grow the business further.

In March 2014, the Group, through CXP, completed the purchase of 90% of Changshu Changjiang International Port Ltd (CCIP), for RMB436.5 million (approximately \$91.3 million). CCIP is a newly completed port, which is adjacent to CXP. CCIP, which commenced operations since November 2012, provides CXP immediate access to additional berthing capacity.



Operations Review (continued)



With CCIP developed and operational, the Group is expanding its port facilities immediately.

Total berth length, with the 2 ports, will increase by 65% to 2.8km, while the land area will be expanded by over 35% to 1.36 sq km. CCIP is equipped with new warehousing space of another 70,000 sq m, adding on to CXP's 105,000 sq m.

Being new, CCIP incurred a loss of RMB24.3 million (approximately \$5.1 million) for the first 9 months of FY2013 due to low utilisation rate of its berths. The target is to reduce CCIP's loss by half in FY2014.

By scaling up the Port & Logistics division through the acquisition, we plan to achieve commercial and operational synergies, and increase our foreign-sourced income. In the medium term, our strategic options to unlock shareholder value of our Port & Logistics division include further organic growth, a larger port portfolio and or other corporate actions.



Financial Report

Contents

21	Report on Corporate Governance
30	Directors' Report
33	Statement by Directors
34	Independent Auditor's Report
35	Consolidated Income Statement
36	Consolidated Statement of Comprehensive Income
37	Balance Sheets
38	Statement of Changes in Equity
41	Consolidated Cash Flow Statement
42	Notes to the Financial Statements

Report on Corporate Governance

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

This report describes the Company's corporate governance practices that were in place for the financial year ended 31 December 2013 (FY2013) with specific reference to the Code. Explanations have been provided where there are deviations from the Code.

Board of Directors

At the date of this report, the Board comprises eight directors, of whom three are executive directors and five are independent directors, namely:

- | | | | |
|------|---------------------------|---|--------------------------------|
| i | Ch'ng Jit Koon | – | Chairman, Independent Director |
| ii | Patrick Ng Bee Soon | – | Deputy Chairman |
| iii | Ng Bee Bee | – | Chief Executive Officer |
| iv | Jane Kimberly Ng Bee Kiok | – | Executive Director |
| v | Lee Cheong Seng | – | Independent 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 of the Company's Articles of Association:

- Patrick Ng Bee Soon
- Tay Siew Choon

Directors retiring pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore:

- 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 the 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 the 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 the following:

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

Report on Corporate Governance (continued)

The Board's Conduct of Affairs (continued)

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

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

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

The Executive Committee comprises:

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

The Board meets at least four times annually and as and when necessary to address any significant matters that may arise. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's Articles of Association.

The record of the directors' attendance at meetings held in the year is set out as follows:

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

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

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

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 judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Currently, the Board comprises of eight directors, of whom five are independent directors.

In light that each of these directors has served beyond nine years from the date of his first appointment, the NC, with the concurrence of the Board, performed a rigorous review of their independence, with each abstaining from the deliberation of his own independence. The dates of the first appointment for these directors are set out on page 24.

Based on the self-declaration provided by each director of any relationships as set out in the Code, the individual, peer and board evaluations performed and informal reviews conducted, the NC has determined that Messrs Ch'ng Jit Koon, Cecil Vivian Richard Wong, Phua Bah Lee and Tay Siew Choon, who have not assumed any executive functions of the Company, have exercised independent judgement in the interests of the Company.

Mr Lee Cheong Seng has been on the Board since 1993, albeit in different capacities in the Company, and was re-designated as an independent director since December 2012. The NC has also undertaken the same rigorous review of Mr Lee's independence and found him to continue to be independent and to discharge his duties as an independent director effectively.

The independent directors are respected members of the business community and they provide core competencies such as accounting, finance, business acumen and management expertise. The Board is of the view that they contribute to the strong independent element of the Board, notwithstanding their tenure on the Board.

The NC, having reviewed and considered the size of the Board and the board committees, is of the view that the current size is appropriate for the nature and scope of the Company's operations and facilitates effective decision making for the existing needs and demands of the Group's businesses. The NC also reviewed the composition of the Board and the board committees and has determined that there is an appropriate mix of experience and expertise amongst the directors with their broad range of complementary competencies and experience. No individual or group dominates the Board's decision making process.

Role of Chairman and Chief Executive Officer (CEO)

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

The roles of the Chairman and CEO are separate and consist of two directors who are not related to each other. The Chairman is an independent director who bears responsibility for the workings of the Board and assists in enhancing the Company's corporate governance practices. The CEO is the most senior executive responsible for the day-to-day operations of the Group.

The Chairman's role includes the following:

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

Board Membership

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

The Nominating Committee comprises:

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

All the members, including the Chairman, are non-executive independent directors.

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

- to make recommendation to the Board on new board appointments;
- to nominate directors, having regard to their contribution and performance, for re-nomination and re-election;
- to determine whether or not a director is independent;
- to evaluate the effectiveness of the Board as a whole; and
- to assess the individual contribution of the directors to the effectiveness of the Board and their abilities to carry out their duties as directors of the Company when they have multiple board representations and in view of their principal commitments.

Having considered the recommendation of the Code, the Board has accepted the NC's recommendation to continue to limit the maximum number of outside directorships of listed companies to five, i.e. the non-executive directors of the Company should not hold more than five directorships in other listed companies.

The NC, in its annual review of the appropriate size and composition of the Board, may make recommendations to the Board for new board appointments. The NC will take the lead in identifying, evaluating and selecting suitable candidates as new directors for the Board's consideration. The NC may engage, if necessary, external search consultants or other advisers to assist with the identifying and shortlisting of potential candidates. A formalised letter of appointment, detailing the duties and expectations of a director, will be issued to new directors. No new director was appointed by the Company during FY2013. Alternate directorships in the Company are not encouraged by the NC.

Report on Corporate Governance (continued)

Board Membership (continued)

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

In accordance with Article 88 of the Company's Articles of Association, all newly-appointed directors will only hold office until the next AGM and Article 89 of the Company's Articles of Association provides that every director shall, subject to the Singapore Statutes, retire from office at least once every three (3) years.

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

Name of director	Age	Position	Date of first appointment	Date of last re-election
Ch'ng Jit Koon	80	Chairman, Independent Director	01/04/1997	18/04/2013
Patrick Ng Bee Soon	51	Deputy Chairman, Executive Director	25/05/1993	21/04/2011
Ng Bee Bee	46	Chief Executive Officer	31/01/2004	18/04/2013
Jane Kimberly Ng Bee Kiok	52	Executive Director	12/03/2009	19/04/2012
Lee Cheong Seng	67	Independent Director	29/11/1993	19/04/2012
Cecil Vivian Richard Wong	91	Independent Director	01/10/1992	18/04/2013
Phua Bah Lee	81	Independent Director	29/11/1993	18/04/2013
Tay Siew Choon	66	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 is 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 annually. Each director is required to complete a board appraisal form to be returned to the NC Chairman. The evaluation results are subsequently consolidated and presented to the Board together with the NC's recommendations at the board meeting held prior to the AGM.

In evaluating the Board's performance, the NC may take into consideration qualitative and quantitative performance criteria. The evaluation parameters may include performance against set goals and contribution to the Group's long-term objectives and revenue growth.

Informal review of each director's individual performance is also undertaken on an annual basis.

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

Based on the results of the evaluation exercise of the Board as a whole as well as the actual performance of each director for FY2013, 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 are at liberty to request for further explanations, briefings or additional materials on any operational or business issues.

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.

Remuneration Matters

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.

Principle 8: Level and mix of remuneration

Principle 9: Disclosure on remuneration

The Remuneration Committee (RC) comprises three members who are all non-executive independent directors, namely:

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

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

- to recommend to the Board, for their endorsement, a general framework of remuneration for the Board and key management personnel;
- to review and recommend to the Board, for their endorsement, the annual remuneration package for each executive director of the Company and key management personnel, which includes a variable bonus component which is performance-related;
- to decide on the early termination compensation of executive directors and key management personnel;
- to consider whether directors and key management personnel should be eligible for benefits under long-term incentive schemes; and
- to administer the Pan-United Share Option Scheme.

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

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

Executive directors are not paid directors' fees.

The following table shows the breakdown of the level and mix of directors' remuneration for FY2013:

Remuneration bands & name of director	Base salary/ Directors' fees	Performance- related bonus	Share options granted
Above \$750,000			
Ng Bee Bee	40%	60%	–
\$500,000 to \$750,000			
Patrick Ng Bee Soon	35%	65%	–
Jane Kimberly Ng Bee Kiok	37%	63%	–
Below \$250,000			
Ch'ng Jit Koon	100%	–	150,000
Lee Cheong Seng	100%	–	150,000
Cecil Vivian Richard Wong	100%	–	150,000
Phua Bah Lee	100%	–	150,000
Tay Siew Choon	100%	–	150,000

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

Report on Corporate Governance (continued)

Remuneration Matters (continued)

Principle 9: Disclosure on remuneration (continued)

For FY2013, the details of the remuneration of an employee who is an immediate family member of the CEO and the executive directors are as follows:

Remuneration bands & name of director	Base salary/ Directors' fees	Performance- related bonus	Share options granted
\$250,000 – \$500,000			
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)	71%	29%	–

Details of the Pan-United Share Option Scheme

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

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

Details of the share options granted pursuant to the Scheme are set out in the Directors' Report at pages 31 and 32 of the Annual Report. In accordance with Rule 704(29) of the Listing Rules, the necessary SGXNET announcement of the FY2013 share option grant was made on 20 November 2013.

Accountability

Principle 10: The board is responsible for providing a balanced and understandable assessment of the company's performance, position and prospects.

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

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

Risk Management and Internal Controls

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

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

Risk Management and Internal Controls

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

During the year, the Group adopted an Enterprise Risk Management (ERM) Policy Manual which provides a framework for considering and managing risks which are material to the Group and its operations. The Group is making a progressive effort in risk identification, risk assessment and risk mitigation measures to be taken.

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

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

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

The AC and the Board have received a written assurance from the CEO and the Executive Director that for FY2013, the relevant financial statements of the Group, prepared in accordance with SFRS, presented a true and fair view of the state of affairs of the Group and the Group's risk management and internal control systems in place were adequate and also provided a reasonable assurance that assets were safeguarded against unauthorised loss or disposition.

Based on the systems of risk management and internal controls established and maintained by the Group, work performed and reports by the internal and external auditors and the above written assurance, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems are effective.

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

Key Risks facing the Group

The Group is vulnerable to a number of risks applicable to the industries and the areas in which it operates. The Group's approach to financial risk management is listed on pages 76 to 79 of the Annual Report. The following are some of the other key risks which could materially and adversely affect the Group's businesses, financial conditions or results of operation.

Business risk

Basic Building Resources

The Basic Building Resources (BBR) 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 BBR 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 plies mainly in the Southeast Asian region. Demand for the Group's coastal shipping vessels depends on inter-regional trade and the shipping business is exposed to increase in fuel cost for its vessels. To help mitigate these risks, the Shipping division has implemented a strategy to maintain an optimum 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 help manage these risks, CXP will continue to maintain good working relationships with the local authorities and adopt a lean cost structure through cost management measures and operational efficiencies and also to position the port as one of the leading distribution hubs for steel, logs, pulp and paper in PRC.

Operational risk

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

Investment risk

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

Information Technology Risk

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

Also, with the introduction of the Personal Data Protection Act in Singapore, the Group will implement appropriate policies and controls to manage the risk of data privacy breaches.

Report on Corporate Governance (continued)

Audit Committee

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

The Audit Committee 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. The AC reviews the quarterly financial statements of the Company as well as the auditors' reports.

To enhance corporate governance and risk management, the internal audit function of the Group has been outsourced to PricewaterhouseCoopers LLP since September 2010.

The AC reviews the overall scope of both internal and external audits, and the assistance given by the management to the auditors. The AC also meets with the internal and external auditors, independent of the management, annually to discuss the results of their respective audit findings and their evaluation of the Group's system of accounting and internal controls. The AC reviews, on an annual basis, the independence of the external auditor and makes recommendation to the Board on the nomination of the external auditor.

In FY2013, the AC, with the approval of the Board, assumed the function of the board risk committee to oversee the Group's risk management framework and policies.

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

The AC has conducted a review of all non-audit services provided by the external auditor, Ernst & Young LLP (EY). Except for a tax advisory fee of Rmb185,000 paid to EY (Shanghai) for some tax matters relating to the Port division, there were no other non-audit fees paid in FY2013. 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 auditor of the Company for the financial year ending 31 December 2014.

With regards to the proposed re-appointment of the external auditor, the AC is satisfied that the Company has complied with the SGX Listing Rules 712 and 715. In addition, the AC is satisfied that the Company has complied with Rule 717 of the SGX Listing Rules regarding the audit of the Company's foreign subsidiaries and joint-ventures for FY2013. Pursuant to Rule 717 of the Listing Manual, the names of the auditors (who are not part of the EY Group) of our non-significant subsidiaries are set out on page 63 of the Annual Report.

Whistle-Blowing Policy

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

Internal Audit

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

PricewaterhouseCoopers LLP, a reputable firm of international public accountants, was appointed as internal auditors (IA) of the 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. The IA's primary reporting line is to the AC Chairman directly although the IA also reports administratively to the CEO. Under its 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. In FY2013, the AC met up with the IA without the presence of management and is satisfied that the IA is adequately staffed with persons of the relevant qualification and experience. The AC also reviewed the adequacy and effectiveness of the IA's function.

Shareholder Rights and Responsibilities

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

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

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

The Company does not practise selective disclosure. Price-sensitive announcements and quarterly results are released through SGXNET and these are also posted on the Company's website immediately thereafter. To reduce our carbon footprint, the Company has produced and provided shareholders with the full annual report in CD-ROM format, since 2010, in place of the Summary Report. Shareholders can request for a printed copy at no cost if they still wish to receive the Annual Report in paper form. To further enhance its communication with shareholders, the Company's website www.panunited.com.sg provides shareholders with informations about the Group.

At general meetings, the 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 up to 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 auditor is 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 shareholders at the Company's 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 FY2013.

On behalf of the Board of Directors,

Ch'ng Jit Koon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
19 March 2014

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 2013.

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	Independent 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 objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

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:

Name of director	Direct Interest		Deemed Interest	
	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	998,000	1,148,000	—	—
Patrick Ng Bee Soon	23,420,030	23,420,030	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	2,150,000	2,300,000	—	—
Cecil Vivian Richard Wong	450,000	500,000	—	—
Phua Bah Lee	990,000	1,140,000	—	—
Tay Siew Choon	530,000	680,000	—	—

* These include 153,000,000 (as at 1 January 2013: 153,000,000) ordinary shares held as joint shareholders.

(options to subscribe for ordinary shares)

Ch'ng Jit Koon	300,000	300,000	—	—
Lee Cheong Seng	300,000	300,000	—	—
Cecil Vivian Richard Wong	500,000	600,000	—	—
Phua Bah Lee	300,000	300,000	—	—
Tay Siew Choon	300,000	300,000	—	—

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 2014.

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

Under the Scheme 2002, the options granted prior to its expiry date, exercised, forfeited/lapsed during the financial year and outstanding as at 31 December 2013 are as follows:

Date granted	Exercise price	Exercise period	No. of Share Options			As at 31 December 2013
			At 1 January 2013 or date of grant if later	Forfeited/ Lapsed	Exercised	
18/11/2005	\$0.43	18/11/2006 – 17/11/2015	58,000	–	(58,000)	–
20/11/2006	\$0.60	20/11/2007 – 19/11/2016	728,000	–	(665,000)	63,000
22/11/2007	\$0.83	22/11/2008 – 21/11/2017	1,160,000	–	(1,000,000)	160,000
19/11/2008	\$0.38	19/11/2009 – 18/11/2018	245,000	–	(185,000)	60,000
19/11/2009	\$0.52	19/11/2010 – 18/11/2014	50,000	–	(50,000)	–
19/11/2009	\$0.52	19/11/2010 – 18/11/2019	1,096,000	–	(1,016,000)	80,000
19/11/2010	\$0.53	19/11/2011 – 18/11/2015	150,000	–	–	150,000
19/11/2010	\$0.53	19/11/2011 – 18/11/2020	1,192,000	(8,000)	(786,000)	398,000
18/11/2011	\$0.47	18/11/2012 – 17/11/2016	750,000	–	(600,000)	150,000
18/11/2011	\$0.47	18/11/2012 – 17/11/2021	1,292,000	(9,000)	(461,000)	822,000
15/11/2012	\$0.68	15/11/2013 – 14/11/2017	750,000	–	–	750,000
15/11/2012	\$0.68	15/11/2013 – 14/11/2022	1,551,000	(12,000)	(123,000)	1,416,000
20/11/2013	\$0.99	20/11/2014 – 19/11/2018	750,000	–	–	750,000
20/11/2013	\$0.99	20/11/2014 – 19/11/2023	1,636,000	–	–	1,636,000
			11,408,000	(29,000)	(4,944,000)	6,435,000

During the financial year ended 31 December 2013, the Company has granted 750,000 options to non-executive directors of the Company and 1,636,000 options to certain employees of the Group, at the exercise price of \$0.99. Details of these options granted are as follows:

Exercisable date	Expiry date	Number of options
20/11/2014	19/11/2018	750,000
20/11/2014	19/11/2023	485,000
20/11/2015	19/11/2023	496,000
20/11/2016	19/11/2023	655,000
		2,386,000

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.

Directors' Report (continued)

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	1,590,000	(1,140,000)	(150,000)	300,000
Lee Cheong Seng	150,000	5,840,000	(5,540,000)	–	300,000
Cecil Vivian Richard Wong	150,000	1,590,000	(840,000)	(150,000)	600,000
Phua Bah Lee	150,000	1,590,000	(1,140,000)	(150,000)	300,000
Tay Siew Choon	150,000	1,280,000	(680,000)	(300,000)	300,000
	750,000	11,890,000	(9,340,000)	(750,000)	1,800,000

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 the external auditor of the Company for the financial year ending 31 December 2014.

7. Auditor

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

On behalf of the Board of Directors,

Ch'ng Jit Koon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
19 March 2014

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 cash flow 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 2013 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, 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
19 March 2014

Independent Auditor's Report

To the members of Pan-United Corporation Ltd

Report on the financial statements

We have audited the accompanying 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 2013, 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 financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the 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.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 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 2013 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 Chartered Accountants

Singapore
19 March 2014

Consolidated Income Statement

for the year ended 31 December 2013

	Notes	2013 \$'000	2012 \$'000
Revenue	3	727,396	715,327
Other income	4	4,064	7,730
Raw materials, subcontract costs and other direct costs		(557,095)	(550,722)
Staff costs	5	(34,146)	(34,283)
Depreciation expenses	9	(19,378)	(20,639)
Other expenses	4	(53,058)	(48,917)
Finance costs	6	(5,463)	(4,955)
Share of results of associates		2,084	1,931
Profit before income tax	4	64,404	65,472
Income tax	7	(12,299)	(14,208)
Profit for the year		52,105	51,264
Attributable to			
Equity holders of the Company		44,599	43,065
Non-controlling interests		7,506	8,199
		52,105	51,264
Earnings per share (in cents)			
Basic	8	8.0	7.8
Diluted	8	8.0	7.8

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 2013

	2013 \$'000	2012 \$'000
Profit for the year	52,105	51,264
Other comprehensive income		
Foreign currency translation	2,408	(4,846)
Other comprehensive income for the year, net of tax	2,408	(4,846)
Total comprehensive income for the year	54,513	46,418
Total comprehensive income attributable to		
Equity holders of the Company	44,548	40,412
Non-controlling interests	9,965	6,006
	54,513	46,418

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

Balance Sheets

as at 31 December 2013

	Notes	Group		Company	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Non-current assets					
Vessels, property, plant and equipment	9	291,391	273,641	233	487
Subsidiaries	10	–	–	194,774	91,411
Associates	11	5,096	5,104	–	–
Other investments	12	2,341	17,011	11	16
Other receivables		169	259	–	–
Goodwill	13	2,345	2,345	–	–
Deferred tax assets	21	194	755	–	–
		301,536	299,115	195,018	91,914
Current assets					
Cash and short-term deposits	14	79,183	90,361	27,509	60,435
Trade and other receivables	15	157,502	153,505	2,440	2,693
Prepayments		2,980	2,526	357	130
Work-in-progress		470	997	–	–
Inventories	16	24,364	20,740	–	–
		264,499	268,129	30,306	63,258
Current liabilities					
Bank loans	17	45,953	1,264	7,000	–
Payables and accruals	18	120,898	108,821	2,715	2,354
Deferred income	19	3,706	4,371	–	–
Provisions	20	1,023	1,308	–	–
Income tax payable		8,106	11,821	68	–
		179,686	127,585	9,783	2,354
Net current assets		84,813	140,544	20,523	60,904
Non-current liabilities					
Bank loans	17	81,575	69,580	45,000	–
Deferred tax liabilities	21	6,529	5,300	–	–
Deferred income	19	1,454	1,541	–	–
Other liabilities	22	548	540	–	–
Provisions	20	2,850	3,050	–	–
Derivatives	23	214	–	214	–
		93,170	80,011	45,214	–
Net assets		293,179	359,648	170,327	152,818
Equity attributable to equity holders of the Company					
Share capital	24a	90,630	88,323	90,630	88,323
Treasury shares	24b	–	(1,054)	–	(1,054)
Reserves		182,642	231,581	79,697	65,549
		273,272	318,850	170,327	152,818
Non-controlling interests		19,907	40,798	–	–
Total equity		293,179	359,648	170,327	152,818

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 2013

Group 2013

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Treasury shares	Capital reserve	Foreign currency translation reserve	Accumulated profits	Other reserves	Total reserves		
	(Note 24a) \$'000	(Note 24b) \$'000	(Note 25) \$'000	(Note 27) \$'000	\$'000	(Note 26) \$'000	\$'000	\$'000	\$'000
Balance at 1 January 2013	88,323	(1,054)	3,000	(4,526)	231,867	1,240	231,581	40,798	359,648
Profit for the year	–	–	–	–	44,599	–	44,599	7,506	52,105
Other comprehensive income									
Foreign currency translation	–	–	–	(51)	–	–	(51)	2,459	2,408
Other comprehensive income for the year, net of tax	–	–	–	(51)	–	–	(51)	2,459	2,408
Total comprehensive income for the year	–	–	–	(51)	44,599	–	44,548	9,965	54,513
Contributions by and distributions to owners									
Cost of share-based payment (share options)	–	–	–	–	–	249	249	–	249
Issuance of shares under share option scheme	2,307	–	–	–	–	(338)	(338)	–	1,969
Reissuance of treasury shares	–	1,054	–	–	–	(146)	(146)	–	908
Dividends on ordinary shares (Note 34)	–	–	–	–	(22,364)	–	(22,364)	–	(22,364)
Total transactions with owners in their capacity as owners	2,307	1,054	–	–	(22,364)	(235)	(22,599)	–	(19,238)
Premium paid on acquisition of non-controlling interests	–	–	–	–	–	(70,888)	(70,888)	–	(70,888)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(30,092)	(30,092)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(764)	(764)
Balance at 31 December 2013	90,630	–	3,000	(4,577)	254,102	(69,883)	182,642	19,907	293,179

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

Group 2012

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital (Note 24a)	Treasury shares (Note 24b)	Capital reserve (Note 25)	Foreign currency translation reserve (Note 27)	Accumulated profits	Other reserves (Note 26)	Total reserves		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2012	88,104	–	3,000	(1,873)	208,197	739	210,063	42,841	341,008
Profit for the year	–	–	–	–	43,065	–	43,065	8,199	51,264
Other comprehensive income									
Foreign currency translation	–	–	–	(2,653)	–	–	(2,653)	(2,193)	(4,846)
Other comprehensive income for the year, net of tax	–	–	–	(2,653)	–	–	(2,653)	(2,193)	(4,846)
Total comprehensive income for the year	–	–	–	(2,653)	43,065	–	40,412	6,006	46,418
Contributions by and distributions to owners									
Cost of share-based payment (share options)	–	–	–	–	–	170	170	–	170
Issuance of shares under share option scheme	219	–	–	–	–	(36)	(36)	–	183
Purchase of treasury shares	–	(4,940)	–	–	–	–	–	–	(4,940)
Reissuance of treasury shares	–	3,886	–	–	–	367	367	–	4,253
Dividends on ordinary shares (Note 34)	–	–	–	–	(19,395)	–	(19,395)	–	(19,395)
Total transactions with owners in their capacity as owners	219	(1,054)	–	–	(19,395)	501	(18,894)	–	(19,729)
Incorporation of a subsidiary	–	–	–	–	–	–	–	1,530	1,530
Conversion of loan to share capital	–	–	–	–	–	–	–	572	572
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(10,151)	(10,151)
Balance at 31 December 2012	88,323	(1,054)	3,000	(4,526)	231,867	1,240	231,581	40,798	359,648

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 2013

Company 2013

	Attributable to equity holders of the Company					Total equity
	Share capital (Note 24a)	Treasury shares (Note 24b)	Accumulated profits	Other reserves (Note 26)	Total reserves	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2013	88,323	(1,054)	64,309	1,240	65,549	152,818
Profit for the year	–	–	36,747	–	36,747	36,747
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income	–	–	36,747	–	36,747	36,747
Cost of share-based payment (share options)	–	–	–	249	249	249
Issuance of shares under share option scheme	2,307	–	–	(338)	(338)	1,969
Reissuance of treasury shares	–	1,054	–	(146)	(146)	908
Dividends on ordinary shares (Note 34)	–	–	(22,364)	–	(22,364)	(22,364)
Balance at 31 December 2013	90,630	–	78,692	1,005	79,697	170,327

Company 2012

	Attributable to equity holders of the Company					Total equity
	Share capital (Note 24a)	Treasury shares (Note 24b)	Accumulated profits	Other reserves (Note 26)	Total reserves	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2012	88,104	–	66,841	739	67,580	155,684
Profit for the year	–	–	16,863	–	16,863	16,863
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income	–	–	16,863	–	16,863	16,863
Cost of share-based payment (share options)	–	–	–	170	170	170
Issuance of shares under share option scheme	219	–	–	(36)	(36)	183
Purchase of treasury shares	–	(4,940)	–	–	–	(4,940)
Reissuance of treasury shares	–	3,886	–	367	367	4,253
Dividends on ordinary shares (Note 34)	–	–	(19,395)	–	(19,395)	(19,395)
Balance at 31 December 2012	88,323	(1,054)	64,309	1,240	65,549	152,818

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 2013

	Notes	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Profit before income tax		64,404	65,472
Adjustments for			
Depreciation expenses	9	19,378	20,639
Dividend income from other investments	4	(1,470)	(2,850)
Interest expense, net		4,409	4,254
Write-off of property, plant and equipment	4	555	1,733
Gain on disposal of vessels, property, plant and equipment	4	(15)	(2,434)
Impairment in value of property, plant and equipment	4	–	2,156
Reversal of write-down of inventories	4	(8)	(314)
(Write-back of)/impairment in value of other investments		(133)	168
Reversal of provisions	20	(54)	(1,956)
Fair value loss on held for trading investments	4	81	228
Fair value loss on derivatives		214	–
Share-based payment expenses	5	249	170
Share of results of associates		(2,084)	(1,931)
Foreign exchange differences		(1,237)	1,117
Operating cash flows before working capital changes		84,289	86,452
Increase in trade and other receivables		(3,907)	(31,642)
Increase in prepayments		(454)	(1,387)
Increase in inventories and work-in-progress		(3,089)	(4,532)
Increase in payables and accruals and provisions		11,346	23,029
Decrease in deferred income		(752)	(893)
Cash flows from operations		87,433	71,027
Interest paid	6	(4,920)	(4,714)
Income tax paid		(14,224)	(12,042)
Interest received	4	511	460
Net cash flows from operating activities		68,800	54,731
Cash flows from investing activities			
Acquisition of vessels, property, plant and equipment		(30,260)	(41,627)
Acquisition of non-controlling interests		(100,980)	–
Acquisition of other investments		(312)	(2)
Capital refund from other investments		263	–
Capital reduction of an associate		481	–
Proceeds from disposal of vessels, property, plant and equipment		270	10,107
Proceeds from disposal of other investments		14,780	–
Dividend income from associates		1,973	1,233
Dividend income from other investments		1,470	2,850
Net cash flows used in investing activities		(112,315)	(27,439)
Cash flows from financing activities			
Proceeds from bank borrowings		52,038	1,256
Proceeds from issuance of share capital		1,969	183
Purchase of treasury shares		–	(4,940)
Proceeds from reissuance of treasury shares		908	4,253
Contribution from non-controlling interests		–	1,530
Dividends paid to shareholders	34	(22,364)	(19,395)
Dividends paid to non-controlling interests		(764)	(10,151)
Net cash flows from/(used in) financing activities		31,787	(27,264)
Net (decrease)/increase in cash and cash equivalents		(11,728)	28
Cash and cash equivalents as at beginning of year		90,361	91,191
Effects of exchange rate changes on opening cash and cash equivalents		550	(858)
Cash and cash equivalents as at end of year	14	79,183	90,361

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 which are effective for annual financial periods beginning on or after 1 January 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

In accordance with the transition provisions of FRS 113 Fair Value Measurement, FRS 113 has been applied prospectively by the Group on 1 January 2013.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014

Except for FRS 112, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 112 is described below.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

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. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when applied in 2014.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation 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 and dividends are eliminated in full.

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

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

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

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

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.4 (b) Business combinations

Business combinations from 1 January 2010

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 a change to other comprehensive income. If the contingent consideration is classified as equity, it is not 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's identifiable net assets.

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

Business combinations prior to 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. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been 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 adjustments to the contingent consideration were recognised as part of goodwill.

2.5 Transactions with non-controlling interests

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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 vessel, 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 15 years
Drydocking expenses	–	2.5 years
Leasehold land (includes land use rights)	–	8 to over the remaining lease terms
Leasehold buildings	–	8 to over the remaining lease terms
Plant and machinery	–	5 to 20 years
Office furniture and equipment	–	3 to 10 years
Cement silos and storage tanks	–	10 to 50 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 derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

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 operations are deemed to be assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

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 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.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associate and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of 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 financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.13 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading 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.

(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.

Derecognition

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

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 reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

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

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

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

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

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

(b) 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.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

(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.

2.18 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.

Derecognition

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

2.19 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 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.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.20 Employee benefits (continued)

(c) Employee leave entitlement

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

2.21 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 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 Taxes

(a) Current income tax

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

Current income 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 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.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.23 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 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.

2.25 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.

2.26 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.

2.27 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).

2.28 Treasury shares

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

2.29 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.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.29 Significant accounting estimates and judgements (continued)

(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 2013 was \$291,391,000 (2012: \$273,641,000). During the year ended 31 December 2013, management revised the useful life of a category of vessels, property, plant and equipment. The effect of the above revision is disclosed in Note 9 to the financial statements.

(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, deferred tax liabilities and deferred tax assets at 31 December 2013 were \$8,106,000 (2012: \$11,821,000), \$6,529,000 (2012: \$5,300,000) and \$194,000 (2012: \$755,000) 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 exist 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.

There was no impairment loss recorded on vessels, property, plant and equipment for the year ended 31 December 2013 (2012: impairment loss of \$2,156,000).

(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	
	2013	2012
	\$'000	\$'000
Sale of goods	632,111	622,023
Rendering of services	95,285	93,304
	727,396	715,327

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	
	2013	2012
	\$'000	\$'000
(a) Other income		
Gain on disposal of vessels, property, plant and equipment	15	2,434
Dividend income from		
Held for trading investments	160	723
Available-for-sale investments	1,310	2,127
Interest income from loans and receivables	511	460
Net fair value loss on held for trading investments	(81)	(228)
Others	2,149	2,214
	4,064	7,730
(b) Other expenses		
Statutory audit fees paid to		
Auditor of the Company	(222)	(216)
Other auditors	(91)	(77)
Non-audit fees paid to		
Other auditors	(38)	(19)
Foreign exchange gain/(loss)	1,187	(614)
Land rental and land usage tax	(10,063)	(9,322)
Hire of equipment, maintenance and consumables	(22,995)	(21,205)
Marketing expenses	(1,700)	(1,897)
Insurance expenses	(1,189)	(1,131)
Allowance for doubtful debts	(2,223)	(203)
Write-off of property, plant and equipment	(555)	(1,733)
Allowance for impairment of property, plant and equipment	–	(2,156)
Reversal of write-down of inventories	8	314
Reversal of provision for litigation claims	–	1,956
Legal fees	(974)	(96)
Utilities	(4,908)	(4,636)
Other facilities and office expenses	(9,295)	(7,882)
	(53,058)	(48,917)

Notes to the Financial Statements (continued)

5. Staff costs

	Group	
	2013	2012
	\$'000	\$'000
Staff costs (including executive directors)		
Salaries, allowances and bonuses	(27,032)	(28,849)
Central Provident Fund and other retirement contribution plans	(2,060)	(1,614)
Share-based payment (share options)	(249)	(170)
Other personnel-related expenses	(4,805)	(3,650)
	(34,146)	(34,283)

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.

- (i) The grantee has to be at least 21 years of age and is not an undischarged bankrupt and has not entered into a composition with its creditors.
- (ii) The Scheme 2002 is administered by the Remuneration Committee, who shall determine at its own discretion, the number of shares over which the options are to be offered, taking into account criteria such as the rank, seniority, length of service, performance and potential for future contributions of the grantee and performance of the Group.
- (iii) Options granted to executive directors and employees will have a life span of ten years whereas options granted to non-executive directors will have a life span of five years.
- (iv) The exercise price of the options shall be equal to the average of the last dealt prices for the Company's shares for the three consecutive trading days immediately preceding the relevant date of grant.

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

	2013		2012	
	No. of		No. of	
	share options	WAEP (\$)	share options	WAEP (\$)
Outstanding at beginning of year	9,022,000	0.59	9,555,000	0.56
Granted during the year (Note c)	2,386,000	0.99	2,301,000	0.68
Exercised during the year (Note a)	(4,944,000)	0.58	(2,234,000)	0.48
Forfeited/lapsed during the year	(29,000)	0.57	(600,000)	0.83
Outstanding at end of year (Note b)	6,435,000	0.75	9,022,000	0.59
Exercisable at end of year	2,451,000	0.60	5,298,000	0.63

Notes

- (a) The weighted average share price at the dates of exercise for the options exercised was \$0.94 (2012: \$0.65).
- (b) The range of exercise prices for options outstanding at the end of the year was \$0.38 to \$0.99 (2012: \$0.38 to \$0.83). The weighted average remaining contractual life for these options is 7.3 years (2012: 6.8 years).
- (c) The weighted average fair value of options granted during the year was \$0.18 (2012: \$0.12).

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:

	2013	2012
Dividend yield (%)	5.10	5.10
Expected volatility (%)	33.68	32.94
Risk-free interest rate (%)	0.27	0.27
Average expected life of option (years)	4.21	4.19
Share price (\$)	0.99	0.68

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	
	2013	2012
	\$'000	\$'000
Interest expense on bank loans	(4,867)	(4,625)
Interest expense on advance from non-controlling interests	(53)	(89)
Others	(543)	(241)
	(5,463)	(4,955)

7. Income tax

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group	
	2013	2012
	\$'000	\$'000
Income statement		
Current income tax		
Current income taxation	(11,337)	(15,964)
Over/(under) provision in respect of previous years	828	(27)
Deferred income tax		
Movement in temporary differences	(1,149)	2,494
Over provision in respect of previous years	182	47
Provision for withholding tax on undistributed earnings of foreign subsidiaries	(823)	(758)
Income tax expense recognised in the income statement	(12,299)	(14,208)

(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 2013 and 2012 are as follows:

	Group	
	2013	2012
	\$'000	\$'000
Accounting profit before income tax	64,404	65,472
Tax at the domestic rates applicable to profits in the countries where the Group operates	(13,176)	(13,083)
Adjustments		
Expenses not allowable for tax purpose	(580)	(1,480)
Effect of partial tax exemption	532	574
Income not subject to taxation	521	970
Overseas income subject to different tax rate	124	131
Deferred tax assets not recognised	(32)	(589)
Over provision in respect of previous years	1,010	20
Provision for withholding tax on undistributed earnings of foreign subsidiaries	(823)	(758)
Others	125	7
Income tax expense recognised in the income statement	(12,299)	(14,208)

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.

Notes to the Financial Statements (continued)

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 2013 and 2012:

	Group	
	2013	2012
	\$'000	\$'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	44,599	43,065
	No. of shares	No. of shares
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	558,725	554,744
Effect of dilution on share options	1,386	758
Weighted average number of ordinary shares for diluted earnings per share computation	560,111	555,502

9. Vessels, property, plant and equipment

	Group						
	Vessels	Drydocking expenses	Leasehold land	Leasehold buildings	Plant and machinery	Construction-in-progress	Other assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
At 1 January 2012	71,678	3,034	28,572	133,052	129,589	3,906	16,926
Additions	–	1,620	–	9,822	12,335	14,796	3,554
Disposals	(13,211)	(1,162)	–	–	(4,493)	–	(232)
Write-off	–	–	–	(863)	(3,342)	–	(309)
Reclassification	–	–	–	1,750	851	(3,090)	489
Currency re-alignment	–	–	(1,259)	(5,945)	(3,388)	(163)	(2,871)
At 31 December 2012 and 1 January 2013	58,467	3,492	27,313	137,816	131,552	15,449	17,557
Additions	–	1,103	28	332	6,329	20,593	2,174
Disposals	–	–	–	(5)	(167)	–	(831)
Write-off	–	–	–	–	(1,407)	–	(300)
Reclassification	–	–	–	12	3,064	(3,061)	(15)
Currency re-alignment	–	–	1,363	7,829	845	(25)	(3,421)
At 31 December 2013	58,467	4,595	28,704	145,984	140,216	32,956	15,164

	Group						
	Vessels	Drydocking	Leasehold	Leasehold	Plant and	Construction-	Other
	\$'000	expenses	land	buildings	machinery	in-progress	assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accumulated depreciation and impairment							
At 1 January 2012	18,662	1,835	9,080	21,464	56,839	–	6,715
Depreciation charge for the year	4,336	860	525	3,180	8,509	–	3,229
Disposals	(6,324)	(763)	–	–	(4,134)	–	(204)
Write-off	–	–	–	(209)	(2,306)	–	(266)
Impairment loss	–	–	–	2,156	–	–	–
Currency re-alignment	–	–	(297)	(1,098)	(1,560)	–	(2,224)
At 31 December 2012 and 1 January 2013	16,674	1,932	9,308	25,493	57,348	–	7,250
Depreciation charge for the year	4,111	1,105	538	3,362	8,212	–	2,050
Disposals	–	–	–	(1)	(154)	–	(593)
Write-off	–	–	–	–	(855)	–	(297)
Currency re-alignment	–	–	423	1,376	636	–	(3,223)
At 31 December 2013	20,785	3,037	10,269	30,230	65,187	–	5,187
Net carrying amount							
At 31 December 2013	37,682	1,558	18,435	115,754	75,029	32,956	9,977
At 31 December 2012	41,793	1,560	18,005	112,323	74,204	15,449	10,307

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.

Impairment

There was no impairment loss recorded for the financial year ended 31 December 2013. An impairment loss of \$2,156,000 was recognised in "Other expenses" (Note 4) line item of profit or loss for the financial year ended 31 December 2012. The impairment loss represented the write-down of the net carrying amounts of three warehouses belonging to Changshu Xinghua Port Co., Ltd, a subsidiary of the Group, as of 31 December 2012.

Change in useful life

During the financial year, the Group reviewed the estimated useful life of its cement silos and revised it from twenty to fifty years. Management expects the civil and structure work of these silos will remain in use for an additional thirty years. The revision in estimate has been applied on a prospective basis from 1 January 2013. The effect of the above revision on depreciation charge in current and future periods is as follows:

	2013	2014	2015	Later
	\$'000	\$'000	\$'000	\$'000
Decrease/(increase) in depreciation expense	778	778	778	(2,334)

	Company
	Other assets
	\$'000
Cost	
At 1 January 2012	976
Additions	183
Disposals	(10)
Write-off	(40)
At 31 December 2012 and 1 January 2013	1,109
Additions	10
Disposals	(289)
At 31 December 2013	830
Accumulated depreciation	
At 1 January 2012	488
Depreciation charge for the year	165
Disposals	(7)
Write-off	(24)
At 31 December 2012 and 1 January 2013	622
Depreciation charge for the year	145
Disposals	(170)
At 31 December 2013	597
Net carrying amount	
At 31 December 2013	233
At 31 December 2012	487

Notes to the Financial Statements (continued)

10. Subsidiaries

	Company	
	2013 \$'000	2012 \$'000
Unquoted equity shares, at cost	26,277	27,377
Allowance for impairment	(2,466)	(2,466)
	23,811	24,911
Amounts due from subsidiaries		
Interest-free	184,586	73,156
Interest bearing (2% per annum)	–	4,711
Amounts due to subsidiaries	(12,914)	(10,658)
	171,672	67,209
Allowance for doubtful debts	(709)	(709)
	170,963	66,500
	194,774	91,411

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

Details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding held by the Group	
		2013 %	2012 %
(a) Singapore Changshu Development Company Pte Ltd (Singapore)	Investment holding	90	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
(d) P.U. Success Pte Ltd (Singapore)	Provision of ship chartering services	–	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	86	51

Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding held by the Group	
		2013 %	2012 %
(d) P.U. Barge Pte Ltd (Singapore)	Provision of ship chartering services	–	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
(a) Blue Star Services Sdn Bhd (Malaysia)	Quarry operator	100	100
(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	80
(a) Fico Pan-United Concrete Joint Stock Company (Vietnam)	Manufacture and supply of ready mixed concrete and related products	55	55
(a) Raffles Cement Pte Ltd (Singapore)	Cement silo operator, cement trading and distribution	49 (b)	49 (b)
(a) Raffles Concrete Pte Ltd (Singapore)	Manufacture and supply of ready mixed concrete and related products	100	100
(a) Batubara Development Pte Ltd (Singapore)	Investment holding and general trading	100	100
(a) Cresco Development Pte Ltd (Singapore)	Investment holding and general trading	100 (c)	–
(a) Salvus Development Pte Ltd (Singapore)	Investment holding and general trading	100 (c)	–
(a) PT. Pan-United Concrete (Indonesia)	Investment holding and general trading	100 (c)	–
(a) Meridian Maplestar Sdn Bhd (Malaysia)	General exploration and trading of basic building materials	100 (c)	–

(a) Held by subsidiaries.

(b) Although the Group owns less than half of the voting power of the entity, management has determined that it has control over governing the policies of the Company. Consequently, the Group consolidates this investment as a subsidiary of the Group.

(c) Incorporated during the financial year ended 31 December 2013.

(d) These subsidiaries were struck-off during the financial year ended 31 December 2013.

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 subsidiaries	Name of accounting firm
Priscojaya Sdn Bhd	SKW Associates, Chartered Accountant, Malaysia
PT. Pan-United Concrete	Not required to be audited for the financial year ended 31 December 2013

Notes to the Financial Statements (continued)

10. Subsidiaries (cont'd)

Acquisition of non-controlling interests

On 25 September 2013, the Group's subsidiary, Pan-United Infrastructure Pte Ltd (PUI), acquired an additional 36% equity interest in Singapore Changshu Development Company Pte Ltd (SCDC) from its non-controlling interests for a cash consideration of \$100,980,000. As a result of this acquisition, PUI owns 90% equity interest in SCDC. The carrying value of the additional interest acquired was \$30,092,000. The difference of \$70,888,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in SCDC on the equity attributable to owners of the Company:

	\$'000
Consideration paid for acquisition of non-controlling interests	100,980
Decrease in equity attributable to non-controlling interests	(30,092)
Decrease in equity attributable to owners of the Company	<u>70,888</u>

Consequent to the increase in equity interest in SCDC, the Group's ownership interest in Changshu Xinghua Port Co., Ltd, a subsidiary held by SCDC, also increased from 51.3% to 85.5%.

11. Associates

	Group	
	2013	2012
	\$'000	\$'000
Unquoted equity shares, at cost	3,172	3,653
Share of post-acquisition reserves	1,834	1,723
Currency re-alignment	90	(272)
Carrying amount of investment	5,096	5,104

Details of the associates are as follows:

Name of associates (Country of incorporation)		Principal activities		Percentage of equity interest	
				2013	2012
				%	%
(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 SGX-ST.

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

	Group	
	2013	2012
	\$'000	\$'000
Assets and liabilities		
Current assets	19,462	18,722
Non-current assets	8,120	7,110
Total assets	27,582	25,832
Current liabilities	5,891	4,768
Total liabilities	5,891	4,768
Results		
Revenue	51,540	47,523
Profit for the year	9,141	7,521

12. Other investments

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Non-current				
Held for trading investments				
Quoted equity shares	460	15,420	11	16
Available-for-sale investments				
At cost				
Unquoted equity investments	8,485	8,337	2,541	2,704
Others	308	471	–	–
	8,793	8,808	2,541	2,704
Less impairment in value	(6,912)	(7,217)	(2,541)	(2,704)
	1,881	1,591	–	–
Total other investments	2,341	17,011	11	16

13. Goodwill

Goodwill arose from the acquisition of the 80% equity interest in PT. Pacific Granitama.

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 five years cash flow projections and a growth rate of 0% for remaining years (2012: 0%) to extrapolate cash flows beyond the five-year period. A pre-tax discount rate of 12% (2012: 12%) was applied to the cash flow projections.

No impairment loss was recognised for the financial years ended 31 December 2013 and 2012.

Notes to the Financial Statements (continued)

14. Cash and short-term deposits

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash at banks	50,486	52,744	19,918	25,324
Short-term deposits	28,697	37,617	7,591	35,111
Cash and short-term deposits	79,183	90,361	27,509	60,435

Cash at banks earned interest at 0.20% (2012: Nil) per annum. 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 ranges from 0.11% to 0.75% (2012: 0.10% to 0.68%) per annum.

15. Trade and other receivables

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade and other receivables (current)				
Trade receivables	148,876	146,266	–	–
Amounts due from associates	2,100	1,498	–	–
Amounts due from subsidiaries	–	–	2,306	2,532
Refundable deposits	1,984	1,860	10	44
Sundry receivables	4,542	3,881	124	117
Total trade and other receivables	157,502	153,505	2,440	2,693
Cash and short-term deposits (Note 14)	79,183	90,361	27,509	60,435
Total loans and receivables	236,685	243,866	29,949	63,128

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 \$79,203,000 (2012: \$83,641,000) 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	
	2013	2012
	\$'000	\$'000
Trade receivables past due		
Less than 30 days	49,553	51,376
30 to 60 days	24,882	24,746
61 to 90 days	3,053	4,597
91 to 120 days	587	2,525
More than 120 days	1,128	397
	79,203	83,641

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	
	2013	2012
	\$'000	\$'000
Trade receivables – nominal amounts	3,907	1,733
Less: Allowance for impairment	(3,907)	(1,733)
	–	–
Movement in allowance accounts		
At 1 January	1,733	1,918
Charge for the year	2,223	204
Written off	(62)	(365)
Currency re-alignment	13	(24)
At 31 December	3,907	1,733

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. Inventories

	Group	
	2013	2012
	\$'000	\$'000
Balance sheet		
Raw materials	4,601	10,212
Finished goods	8,509	6,732
Consumables	11,254	3,796
	24,364	20,740
Income statement		
Inventories recognised as an expense in cost of sales	396,858	390,972

Notes to the Financial Statements (continued)

17. Bank loans

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Secured (Note a)	1,333	1,264	–	–
Unsecured (Note b)	44,620	–	7,000	–
	45,953	1,264	7,000	–
Non-current				
Unsecured (Note c)	81,575	69,580	45,000	–
Total bank loans	127,528	70,844	52,000	–

Notes

- (a) The secured bank loan is denominated in Vietnamese Dong, backed by a mortgage over certain assets of a subsidiary and bears interest of 10.00% (2012: 13.50%) per annum.
- (b) Details of the current unsecured bank loans are as follows:
- (i) \$37,620,000 are denominated in Renminbi and bear interest of 5.90% to 6.35% (2012: 6.35%) per annum.
 - (ii) \$7,000,000 are denominated in Singapore dollars and bear interest of 0.95% to 1.14% (2012: Nil) per annum.
- (c) Details of the non-current unsecured bank loans are as follows:
- (i) \$36,575,000 are denominated in Renminbi and bear interest of 6.22% to 6.70% (2012: 6.70%) per annum. The loans are repayable between 2015 and 2017.
 - (ii) \$45,000,000 are denominated in Singapore dollars and bear interest at 1.55% per annum (2012: Nil) per annum. This loan has been drawn down under a \$75 million loan facility. The loan is repayable between 2016 and 2018.

18. Payables and accruals

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Payables and accruals				
Trade payables	95,299	83,389	–	–
Other payables	8,998	7,328	588	361
Accruals	16,601	18,104	2,127	1,993
Total payables and accruals	120,898	108,821	2,715	2,354
Bank loans (Note 17)	127,528	70,844	52,000	–
Total financial liabilities carried at amortised cost	248,426	179,665	54,715	2,354

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.

19. Deferred income

	Group	
	2013 \$'000	2012 \$'000
Income recognisable within 12 months		
Voyages-in-progress	3,517	4,194
Lease income	189	177
	3,706	4,371
Income recognisable thereafter		
Lease income	1,454	1,541
	5,160	5,912

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.

20. Provisions

	Group		
	Land reinstatement cost \$'000	Litigation claim \$'000	Total \$'000
At 1 January 2012	3,964	1,956	5,920
Recognised during the financial year	500	–	500
Utilised	(106)	–	(106)
Reversed	–	(1,956)	(1,956)
At 31 December 2012 and 1 January 2013	4,358	–	4,358
Recognised during the financial year	299	–	299
Utilised	(730)	–	(730)
Reversed	(54)	–	(54)
At 31 December 2013	3,873	–	3,873
Current 2013	1,023	–	1,023
Non-current 2013	2,850	–	2,850
	3,873	–	3,873
Current 2012	1,308	–	1,308
Non-current 2012	3,050	–	3,050
	4,358	–	4,358

Notes to the Financial Statements (continued)

20. Provisions (continued)

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 ended 31 December 2013, an amount of \$54,000 was reversed to the income statement following the expiry of the leases.

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 remaining provision was reversed and included in "Other expenses" (Note 4) line item of profit or loss for the financial year ended 31 December 2012.

21. Deferred tax

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

	Group	
	2013 \$'000	2012 \$'000
(a) Deferred tax liabilities		
Balance at beginning of year	5,300	6,328
Origination and reversal of temporary differences	406	(1,786)
Provision for withholding tax on undistributed earnings of foreign subsidiaries	823	758
Balance at end of year	6,529	5,300
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	4,948	4,505
Provision for withholding tax on undistributed earnings of foreign subsidiaries	1,581	758
Others	—	37
	6,529	5,300
(b) Deferred tax assets		
Balance at beginning of year	755	—
Origination and reversal of temporary differences	(561)	755
Balance at end of year	194	755
The deferred tax assets principally arise as a result of		
Provisions	194	755
	194	755

22. Other liabilities

Other liabilities relate mainly to advances from non-controlling interests, which are denominated in Vietnamese Dong, unsecured, non-trade related and bear interest of 8.50% to 11.50% (2012: 12.00%) per annum.

23. Derivatives

On 25 September 2013, the Group entered into an interest rate swap of a notional amount of \$75,000,000. The interest rate swap receives floating interest equal to 3 months SOR, pays a fixed rate of interest of 1.79% per annum effective from 24 September 2014 and matures on 13 September 2018.

24. Share capital and treasury shares

	Group and Company			
	2013		2012	
	No. of shares '000	\$'000	No. of shares '000	\$'000
(a) Share capital				
Issued and fully paid				
At 1 January	556,479	88,323	556,029	88,104
Exercise of employee share options (Note 5)	3,238	2,307	450	219
At 31 December	559,717	90,630	556,479	88,323

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

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

	Group and Company			
	2013		2012	
	No. of shares '000	\$'000	No. of shares '000	\$'000
(b) Treasury shares				
At 1 January	(1,706)	(1,054)	–	–
Acquired during the financial year	–	–	(8,490)	(4,940)
Reissued for cash				
On exercise of employee share options (Note 5)	1,706	908	1,784	889
Transferred from share option reserve	–	175	–	154
On sale of treasury shares	–	–	5,000	3,364
Gain on reissuance of treasury shares	–	(29)	–	(521)
	1,706	1,054	6,784	3,886
At 31 December	–	–	(1,706)	(1,054)

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

The Company did not acquire any ordinary shares in the Company during the year ended 31 December 2013 (2012: acquired 8,490,000 ordinary shares). The total amount paid to acquire the shares during the year ended 31 December 2012 was \$4,940,000 and this was presented as a component within the shareholders' equity.

The Company reissued 1,706,000 treasury shares pursuant to Scheme 2002 during the year ended 31 December 2013 (2012: 1,784,000). The Company did not sell any treasury shares during the year ended 31 December 2013 (2012: sold 5,000,000 treasury shares). All the proceeds from the sale of treasury shares have been used for working capital purposes as previously announced.

Notes to the Financial Statements (continued)

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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Employee share option reserve	455	719	455	719
Gain on reissuance of treasury shares	550	521	550	521
Premium paid on acquisition of non-controlling interests (Note 10)	(70,888)	–	–	–
	(69,883)	1,240	1,005	1,240

(a) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 5). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

	Group and Company	
	2013 \$'000	2012 \$'000
At 1 January	719	739
Cost of share-based payment (share options)	249	170
Issuance of shares under share option scheme	(338)	(36)
Reissuance of treasury shares pursuant to share option scheme (Note 24)	(175)	(154)
At 31 December	455	719

(b) Gain on reissuance of treasury shares

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

	Group and Company	
	2013 \$'000	2012 \$'000
At 1 January	521	–
Gain on reissuance of treasury shares	29	521
At 31 December	550	521

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	
	2013 \$'000	2012 \$'000
At 1 January	(4,526)	(1,873)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(51)	(2,653)
At 31 December	(4,577)	(4,526)

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	
	2013 \$'000	2012 \$'000
Capital commitments in respect of plant and machinery	1,691	1,657
Commitment in respect of equity injection of an investment	–	305
	1,691	1,962

(b) Operating lease commitments – As lessee

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

	Group	
	2013 \$'000	2012 \$'000
Within one year	5,111	6,491
After one year and within five years	5,990	6,358
More than five years	6,216	44
	17,317	12,893

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

Operating lease payments recognised in the consolidated income statement during the year ended 31 December 2013 amount to \$8,649,000 (2012: \$7,945,000).

(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	
	2013 \$'000	2012 \$'000
Within one year	46	20
After one year and within five years	–	2
	46	22

The above balances are amounts in relation to leases on the Group's property. These non-cancellable leases have remaining lease terms of one year (2012: one to three years).

Notes to the Financial Statements (continued)

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	
	2013	2012
	\$'000	\$'000
Transactions with associates		
Discharging fee income	13,131	11,827
Wharfage fee income	5,097	4,601
Warehousing service income	3,233	2,772
Management income	116	110
Equipment lease rental expense	(7)	(6)
(b) Compensation of key management personnel		
Short-term employee benefits	4,609	4,301
Central Provident Fund contributions	84	84
	4,693	4,385
Comprise amounts paid to		
Directors of the Company	2,580	2,514
Other key management personnel	2,113	1,871
	4,693	4,385

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 \$0.99 each and exercisable between 20 November 2014 and 19 November 2018 under Scheme 2002 (Note 5).

30. Fair value of financial instruments

Fair value hierarchy

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

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

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).

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

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

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

		Group				Company			
		2013 \$'000		2012 \$'000		2013 \$'000		2012 \$'000	
		Quoted prices in active markets for identical instruments	Significant other observable inputs	Quoted prices in active markets for identical instruments	Significant other observable inputs	Quoted prices in active markets for identical instruments	Significant other observable inputs	Quoted prices in active markets for identical instruments	Significant other observable inputs
		Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Financial assets									
Held for trading investments									
Quoted equity instruments	12	460	–	15,420	–	11	–	16	–
		460	–	15,420	–	11	–	16	–
Financial liabilities									
Derivatives									
Interest rate swap	23	214	–	–	–	214	–	–	–
		214	–	–	–	214	–	–	–

Determination of fair value

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

Interest rate swap contracts (Note 23) are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves.

(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 18), and current and non-current loans at floating rate (Note 17)

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.

Notes to the Financial Statements (continued)

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			
		2013 \$'000		2012 \$'000		2013 \$'000		2012 \$'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	8,485	(i)	8,337	(i)	2,541	(i)	2,704	(i)
Other available-for-sale									
investments, at cost	12	308	(i)	471	(i)	—	—	—	—
Amounts due from									
subsidiaries, net	10	—	—	—	—	170,963	(ii)	66,500	(ii)

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

Other available-for-sale investments carried at cost (Note 12)

Fair value information has not been disclosed for the Group's investments in unquoted equity instruments and other available-for-sale investments that are carried at cost because their fair values cannot be measured reliably. These unquoted equity instruments represent ordinary shares in companies that are not quoted on any market and 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 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. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps.

Sensitivity analysis for interest rate risk

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

	Group	
	Increase/ decrease in basis points	Effect on profit before tax \$'000
2013		
Renminbi	+100	(742)
Singapore dollars	+100	(140)
Vietnamese Dong	+100	(13)
Renminbi	100	742
Singapore dollars	100	140
Vietnamese Dong	100	13
2012		
Renminbi	+100	(696)
Vietnamese Dong	+100	(2)
Renminbi	-100	696
Vietnamese Dong	-100	2

(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), Indonesian Rupiah (IDR), Renminbi (RMB) and Vietnamese Dong (VND). 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 short-term deposits denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in US\$) amount to \$15,456,000 and \$8,190,000 for the Group and the Company respectively.

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

Notes to the Financial Statements (continued)

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	
			Profit before tax	
			2013 \$'000	2012 \$'000
SGD/US\$	–	strengthened 3% (2012: 3%)	+57	+7
	–	weakened 3% (2012: 3%)	-57	-7
US\$/SGD	–	strengthened 3% (2012: 3%)	+464	+208
	–	weakened 3% (2012: 3%)	-464	-208

(c) Credit risk

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

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

Exposure to credit risk

At the 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			
	2013		2012	
	\$'000	% of total	\$'000	% of total
By business segments				
Basic Building Resources	130,314	88	132,983	91
Shipping	4,564	3	4,113	3
Port & Logistics	13,998	9	9,170	6
	148,876	100	146,266	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 11% (2012: 10%) 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 short-term deposits 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. At the balance sheet date, 36% (2012: 2%) of the Group's loans and borrowings (Note 17) 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.

	2013				2012			
	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	–	–	2,341	2,341	–	–	17,011	17,011
Trade and other receivables	157,502	–	–	157,502	153,505	–	–	153,505
Cash and short-term deposits	79,183	–	–	79,183	90,361	–	–	90,361
Total undiscounted financial assets	236,685	–	2,341	239,026	243,866	–	17,011	260,877
Financial liabilities								
Payables and accruals	120,898	–	–	120,898	108,821	–	–	108,821
Bank loans	50,235	87,283	–	137,518	5,863	76,870	–	82,733
Total undiscounted financial liabilities	171,133	87,283	–	258,416	114,684	76,870	–	191,554
Total net undiscounted financial assets/(liabilities)	65,552	(87,283)	2,341	(19,390)	129,182	(76,870)	17,011	69,323
Company								
Financial assets								
Other investments	–	–	11	11	–	–	16	16
Trade and other receivables	2,440	–	–	2,440	2,693	–	–	2,693
Amount due from subsidiaries (Note 10)	–	–	184,586	184,586	–	–	77,867	77,867
Cash and short-term deposits	27,509	–	–	27,509	60,435	–	–	60,435
Total undiscounted financial assets	29,949	–	184,597	214,546	63,128	–	77,883	141,011
Financial liabilities								
Payables and accruals	2,715	–	–	2,715	2,354	–	–	2,354
Bank loans	7,703	47,018	–	54,721	–	–	–	–
Amount due to subsidiaries (Note 10)	–	–	12,914	12,914	–	–	10,658	10,658
Total undiscounted financial liabilities	10,418	47,018	12,914	70,350	2,354	–	10,658	13,012
Total net undiscounted financial assets/(liabilities)	19,531	(47,018)	171,683	144,196	60,774	–	67,225	127,999

(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% (2012: 2%) higher/lower with all other variables held constant, the Group's profit before tax would have been \$9,000 (2012: \$13,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments.

Notes to the Financial Statements (continued)

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 2013 and 31 December 2012.

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 2013 and 31 December 2012.

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

	Group	
	2013	2012
	\$'000	\$'000
Net debt/(cash)	48,345	(19,517)
Total equity	293,179	359,648
Net gearing ratio	0.16	—

The Group did not breach any gearing covenants during the financial years ended 31 December 2013 and 31 December 2012.

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:

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

2013	Basic Building Resources \$'000	Shipping \$'000	Port & Logistics \$'000	Others \$'000	Eliminations \$'000	Group \$'000
Revenue						
External sales	598,805	59,577	69,014	–	–	727,396
Inter-segment sales	244	4,719	–	–	(4,963)	–
Total revenue	599,049	64,296	69,014	–	(4,963)	727,396
Results						
Segment results	53,672	7,731	29,174	(4,389)	–	86,188
Interest income	45	1	252	213	–	511
Fair value loss on held for trading investments	–	–	–	(81)	–	(81)
Depreciation expenses	(7,942)	(5,225)	(5,935)	(276)	–	(19,378)
Interest expense	(183)	–	(4,522)	(215)	–	(4,920)
Share of results of associates	–	–	2,084	–	–	2,084
Profit/(loss) before income tax	45,592	2,507	21,053	(4,748)	–	64,404
Income tax	(6,186)	(275)	(5,691)	(147)	–	(12,299)
Profit/(loss) for the year	39,406	2,232	15,362	(4,895)	–	52,105
Attributable to						
Equity holders of the Company	38,340	1,595	9,559	(4,895)	–	44,599
Non-controlling interests	1,066	637	5,803	–	–	7,506
	39,406	2,232	15,362	(4,895)	–	52,105
Balance Sheet						
Investments in associates	–	–	5,096	–	–	5,096
Additions to non-current assets	27,672	1,115	1,463	10	–	30,260
Segment assets	273,408	58,693	197,123	36,811	–	566,035
Segment liabilities	110,078	6,552	102,974	53,252	–	272,856

Notes to the Financial Statements (continued)

33. Segment information (continued)

(a) Business segments (continued)

2012	Basic Building Resources \$'000	Shipping \$'000	Port & Logistics \$'000	Others \$'000	Eliminations \$'000	Group \$'000
Revenue						
External sales	577,884	73,002	64,441	–	–	715,327
Inter-segment sales	570	1,823	–	–	(2,393)	–
Total revenue	578,454	74,825	64,441	–	(2,393)	715,327
Results						
Segment results	53,225	10,521	28,562	(3,646)	–	88,662
Interest income	60	–	189	211	–	460
Fair value loss on held for trading investments	–	–	–	(228)	–	(228)
Depreciation expenses	(9,514)	(5,203)	(5,571)	(351)	–	(20,639)
Interest expense	(114)	–	(4,600)	–	–	(4,714)
Share of results of associates	–	–	1,931	–	–	1,931
Profit/(loss) before income tax	43,657	5,318	20,511	(4,014)	–	65,472
Income tax	(8,115)	(449)	(5,636)	(8)	–	(14,208)
Profit/(loss) for the year	35,542	4,869	14,875	(4,022)	–	51,264
Attributable to						
Equity holders of the Company	35,355	4,124	7,608	(4,022)	–	43,065
Non-controlling interests	187	745	7,267	–	–	8,199
	35,542	4,869	14,875	(4,022)	–	51,264
Balance Sheet						
Investments in associates	–	–	5,104	–	–	5,104
Additions to non-current assets	29,125	1,623	10,420	459	–	41,627
Segment assets	259,460	56,843	165,637	85,304	–	567,244
Segment liabilities	106,919	7,079	92,547	1,051	–	207,596

(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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Singapore	813,344	792,483	130,933	136,176
China	69,013	64,441	151,904	147,198
Others	55,564	38,545	18,699	15,741
Eliminations	(210,525)	(180,142)	–	–
Total	727,396	715,327	301,536	299,115

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

34. Dividends

	Group and Company	
	2013 \$'000	2012 \$'000
Declared and paid during the year		
Dividends on ordinary shares		
Final exempt (one-tier) dividend for 2012: 2.50 cents (2011: 2.00 cents) per share	13,974	11,129
Interim exempt (one-tier) dividend for 2013: 1.50 cents (2012: 1.50 cents) per share	8,390	8,266
	22,364	19,395
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 2013: 2.75 cents (2012: 2.50 cents) per share	15,395	13,949
Dividend per share (in cents)	4.25	4.00

35. Event occurring after the reporting period

On 18 February 2014, the Group's subsidiary, Changshu Xinghua Port Co., Ltd (CXP), entered into an agreement with Changshu Binjiang Urban Construction Investment & Management Co., Ltd, for the acquisition of a 90% equity interest in Changshu Changjiang International Port Co., Ltd (CCIP), for a purchase consideration of RMB436.5 million (approximately \$91.3 million). CCIP owns and operates a multi-purpose break bulk port, located adjacent to CXP, in Changshu, Jiangsu province, People's Republic of China.

The purchase consideration has been paid in full as of 18 March 2014 and the acquisition is expected to be completed in the first quarter of 2014.

36. Authorisation of financial statements

The financial statements of Pan-United Corporation Ltd for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 19 March 2014.

Statistics of Shareholdings

as at 5 March 2014

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

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 999	18	0.14	5,242	0.00
1,000 – 10,000	11,186	87.68	36,885,769	6.59
10,001 – 1,000,000	1,533	12.02	68,744,611	12.28
1,000,001 and above	20	0.16	454,175,038	81.13
	12,757	100.00	559,810,660	100.00

Substantial shareholders	No. of shares in which shareholder has an interest			
	Direct interest	%	Deemed interest	%
1. Henry Ng Han Whatt	5,400,000	0.96	336,560,030	60.12
2. Patrick Ng Bee Soon	23,420,030	4.18	318,600,000	56.91
3. Ng Bee Bee	–	–	326,750,002	58.37
4. Jane Kimberly Ng Bee Kiok	–	–	326,700,002	58.36

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 2014, 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	179,591,938	32.08
2. Henry Ng Han Whatt, Patrick Ng Bee Soon, Jane Kimberly Ng Bee Kiok and Ng Bee Bee	153,000,000	27.33
3. United Overseas Bank Nominees (Pte) Limited	41,826,000	7.47
4. DBS Nominees (Private) Limited	26,626,165	4.76
5. Patrick Ng Bee Soon	23,420,030	4.18
6. HSBC (Singapore) Nominees Pte Ltd	6,708,000	1.20
7. Henry Ng Han Whatt	5,400,000	0.96
8. Lee Cheong Seng	2,300,000	0.41
9. UOB Kay Hian Private Limited	1,468,000	0.26
10. Phillip Securities Pte Ltd	1,398,900	0.25
11. Tan Wai See	1,358,000	0.24
12. Merrill Lynch (Singapore) Pte Ltd	1,344,000	0.24
13. Loh Kah Soon	1,275,000	0.23
14. OCBC Nominees Singapore Private Ltd	1,263,005	0.23
15. McGregor Annabel Margaret	1,250,000	0.22
16. Raffles Nominees (Pte) Limited	1,242,000	0.22
17. DBSN Services Pte. Ltd.	1,241,000	0.22
18. Lee Boon Wah	1,175,000	0.21
19. Ch'ng Jit Koon	1,148,000	0.21
20. Phua Bah Lee	1,140,000	0.20
	454,175,038	81.12

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of the Company (AGM) will be held at Ficus Ballroom, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Monday, 21 April 2014 at 11.00 a.m. for the following purposes:

ORDINARY BUSINESS

- | | |
|--|---|
| 1. To receive and adopt the Report of the Directors and Audited Financial Statements for the financial year ended 31 December 2013, together with the Auditor's Report thereon. | Resolution 1 |
| 2. To declare a final dividend of \$0.0275 per ordinary share (one-tier tax exempt) for the financial year ended 31 December 2013. | Resolution 2 |
| 3. To re-elect the following directors retiring in accordance with Article 89 of the Company's Articles of Association and who, being eligible, have offered themselves for re-election:
3.1 Mr Patrick Ng Bee Soon
3.2 Mr Tay Siew Choon
[See Explanatory Note 1a] | Resolution 3
Resolution 4 |
| 4. 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 office until the next AGM of the Company:
4.1 Mr Ch'ng Jit Koon
4.2 Mr Cecil Vivian Richard Wong
4.3 Mr Phua Bah Lee
[See Explanatory Note 1b] | Resolution 5
Resolution 6
Resolution 7 |
| 5. To approve the payment of directors' fees of \$482,500 for the financial year ending 31 December 2014 (2013: \$482,500). | Resolution 8 |
| 6. To re-appoint Ernst & Young LLP as auditor of the Company for the financial year ending 31 December 2014 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:

7. "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 Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the directors while this Resolution was in force,
- provided that:
- A the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of any Instruments made or granted pursuant to this Resolution) does not exceed 50 per centum (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph B below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of any Instruments made or granted pursuant to this Resolution) does not exceed 10 per centum (10%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph B below);

Notice of Annual General Meeting (continued)

- B (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph A above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
- i new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - ii any subsequent bonus issue, consolidation or subdivision of Shares;
- C in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Company's Articles of Association for the time being; and
- D (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next 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."

[See Explanatory Note 2]

Resolution 10

8. "That:

- a for the purposes of the Companies Act, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary Shares 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 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 Resolution:

“Average Closing Market Price” means the average of the closing market prices of a Share over the last five (5) Trading Days on which transactions in the Shares were recorded, preceding the day of the Market Purchase (which is deemed to be adjusted for any corporate action that occurs after such five (5) Trading Day period);

“day of making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“Highest Last Dealt Price” means the highest price transacted for a Share as recorded on the Trading Day on which there were trades in the Shares immediately preceding the day of making of the offer pursuant to the Off-Market Purchase;

“Maximum Price” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding,

i in the case of a Market Purchase, 105 per centum (105%) of the Average Closing Market Price; and

ii in the case of an Off-Market Purchase, pursuant to an equal access scheme, 120 per centum (120%) of the Highest Last Dealt Price;

“Maximum Limit” means that number of issued Shares representing 10 per centum (10%) of the total number of issued Shares in the Company as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

“Trading Day” means a day on which the Shares are traded on the SGX-ST; and

d the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.”

[See Explanatory Note 3]

Resolution 11

ANY OTHER BUSINESS

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

By Order of the Board

N. Shoba
Company Secretary

Singapore
3 April 2014

Notice of Annual General Meeting (continued)

Explanatory Notes

1. The Board of Directors, in consultation with the Nominating Committee, recommends to members the re-election of Mr Patrick Ng Bee Soon and Mr Tay Siew Choon in addition to 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 Singapore Statutes, shall retire from office at least once every three (3) years. A retiring director shall be eligible for re-election. Mr Patrick Ng Bee Soon (Deputy Chairman) and Mr Tay Siew Choon (Non-Executive Director) have consented to their re-election as directors of the Company pursuant to this Article. Upon his re-election, Mr Tay Siew Choon will remain as Chairman of the Remuneration Committee and a member of the Audit Committee. Mr Tay is considered independent for the purpose of Rule 704(8) of the Listing Manual.

- 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 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 Resolution 10, if passed, will empower the directors of the Company, from the date of the passing of Resolution 10 to the next AGM date to issue Shares and/or to make or grant Instruments that might require Shares to be issued, and to issue Shares in pursuance of such Instruments, up to a limit of 50% of the total number of issued shares in the capital of the Company, excluding treasury shares, with a sub-limit of 10% of the total number of issued shares in the capital of the Company, excluding treasury shares, for issues made other than on a pro rata basis to shareholders, calculated as described in the Resolution.

Although the Company's Articles of Association and the Listing Manual enables the Company to seek a mandate to permit its directors to issue Shares up to a limit of 50% of the total number of issued shares in the capital of the Company, excluding treasury shares, if made on a pro rata basis to shareholders, and up to a sub-limit of 20% of the total number of issued shares in the capital of the Company, excluding treasury shares, for issues made other than on a pro rata basis to shareholders, the Company is nonetheless only seeking a sub-limit of 10% for issues made other than on a pro rata basis to shareholders. The directors believe that the lower limit sought for the issuance of Shares made other than on a pro rata basis to shareholders is adequate for the time being as it sufficiently addresses the Company's present need to maintain flexibility while taking into account shareholders' concerns against dilution. The directors will review this limit annually.
 3. The Resolution 11, if passed, is to renew the Share Buyback Mandate that will empower the directors of the Company to exercise all powers of the Company to purchase or otherwise acquire issued and fully paid ordinary Shares on the terms and subject to the conditions of this Resolution.

Notes

1. A member of the Company entitled to attend and vote at the 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 AGM.

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

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