



# Passion

## In All We Do



Annual Report 2014



## 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 the Xinghua Port Group in Changshu, Jiangsu Province, China.

As part of its plan to expand its port division, PanU announced on 19 February 2014 that Changshu Xinghua Port Co., Ltd (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 acquisition was completed on 24 March 2014 and CCIP became a subsidiary of PanU. Operationally, CXP and CCIP are now known as Xinghua Port Group.

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 also has operations in 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 division, CXP has been one of China's top 10 river ports. CXP and CCIP are managed as an enlarged port with an overall annual handling capacity of 16.0 million tons and berth length of 2.8 km.

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# Passion

## In All We Do



At Pan-United, we believe that our long term success is a reflection of the quality of our people.

Truly, it is their dedication to delivering the highest standards of execution and their passion for achieving the very best in every aspect of what they do that drive our business forward.

We will continue to invest in our people to ensure that they have the expertise and experience needed to provide our customers with the best solutions tailored to their individual business needs.

Our people are our most important asset and a key aspect of what sets us apart from the competition.

Dividend  
yield for  
2014  
**5.1%**

Return  
on equity  
for 2014  
**11.7%**

# Group Financial Summary

|   | 2014<br>\$'000 | 2013<br>\$'000 | Increase/<br>(decrease)<br>% |
|---|----------------|----------------|------------------------------|
| <b>For the year</b>   |                |                |                              |
| Revenue   | <b>763,197</b> | 727,396        | 5                            |
| Profit  |                |                |                              |
| From operations   | <b>54,409</b>  | 67,783         | (20)                         |
| Before interest expense, income tax and non-controlling interests | <b>56,539</b>  | 69,324         | (18)                         |
| Before income tax and non-controlling interests                   | <b>43,523</b>  | 64,404         | (32)                         |
| After income tax and before non-controlling interests             | <b>35,796</b>  | 52,105         | (31)                         |
| After income tax and non-controlling interests                    | <b>32,403</b>  | 44,599         | (27)                         |
| Interest expense  | <b>13,016</b>  | 4,920          | 165                          |
| Interest cover (times)  | <b>4.3</b>     | 14.1           | (70)                         |
| Dividend, paid and proposed                                       | <b>23,818</b>  | 23,785         | –                            |
| Dividend cover (times)  | <b>1.4</b>     | 1.9            | (26)                         |
| <b>At year end</b>  |                |                |                              |
| Shareholders' funds   | <b>281,816</b> | 273,272        | 3                            |
| Non-controlling interests   | <b>30,835</b>  | 19,907         | 55                           |
| Total equity  | <b>312,651</b> | 293,179        | 7                            |
| Total assets  | <b>742,544</b> | 566,035        | 31                           |
| Total liabilities   | <b>429,893</b> | 272,856        | 58                           |
| <b>Per share</b>  |                |                |                              |
| Basic earnings (in cents) (note 1)                                |                |                |                              |
| Before income tax and non-controlling interests                   | <b>7.8</b>     | 11.5           | (32)                         |
| After income tax and non-controlling interests                    | <b>5.8</b>     | 8.0            | (28)                         |
| Diluted earnings (in cents) (note 2)                              |                |                |                              |
| Before income tax and non-controlling interests                   | <b>7.8</b>     | 11.5           | (32)                         |
| After income tax and non-controlling interests                    | <b>5.8</b>     | 8.0            | (28)                         |
| Net operating cashflows (in cents) (note 3)                       | <b>4.5</b>     | 12.3           | (63)                         |
| Dividend (in cents)   | <b>4.25</b>    | 4.25           | –                            |
| Net asset value as at 31 December (in cents)                      | <b>50.4</b>    | 48.8           | 3                            |
| <b>Return on shareholders' fund</b> (note 4)                      | <b>11.7%</b>   | 15.1%          | (23)                         |
| <b>Return on vessels, property, plant and equipment</b> (note 4)  | <b>9.7%</b>    | 18.4%          | (47)                         |
| <b>Net gearing ratio</b>  | <b>0.68</b>    | 0.16           | 325                          |

## Notes

- 1 The calculation for basic earnings per share is based on 559,214,897 (2013: 558,725,448) weighted average number of shares in issue during the year.
- 2 The calculation for diluted earnings per share is based on 559,857,727 (2013: 560,111,295) 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 (%)



2014



2013

### Revenue (\$'m)

|                          | 2014          | 2013          |
|--------------------------|---------------|---------------|
| Basic Building Resources | 612.06        | 598.81        |
| Shipping                 | 70.20         | 59.58         |
| Port                     | 80.94         | 69.01         |
|                          | <b>763.20</b> | <b>727.40</b> |

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



2014



2013

### Profit After Tax & Non-controlling Interests (\$'m)

|                          | 2014         | 2013         |
|--------------------------|--------------|--------------|
| Basic Building Resources | 24.18        | 38.34        |
| Shipping                 | 0.57         | 1.59         |
| Port                     | 12.60        | 9.56         |
| Others                   | (4.95)       | (4.89)       |
|                          | <b>32.40</b> | <b>44.60</b> |



Basic Building Resources



Shipping



Port

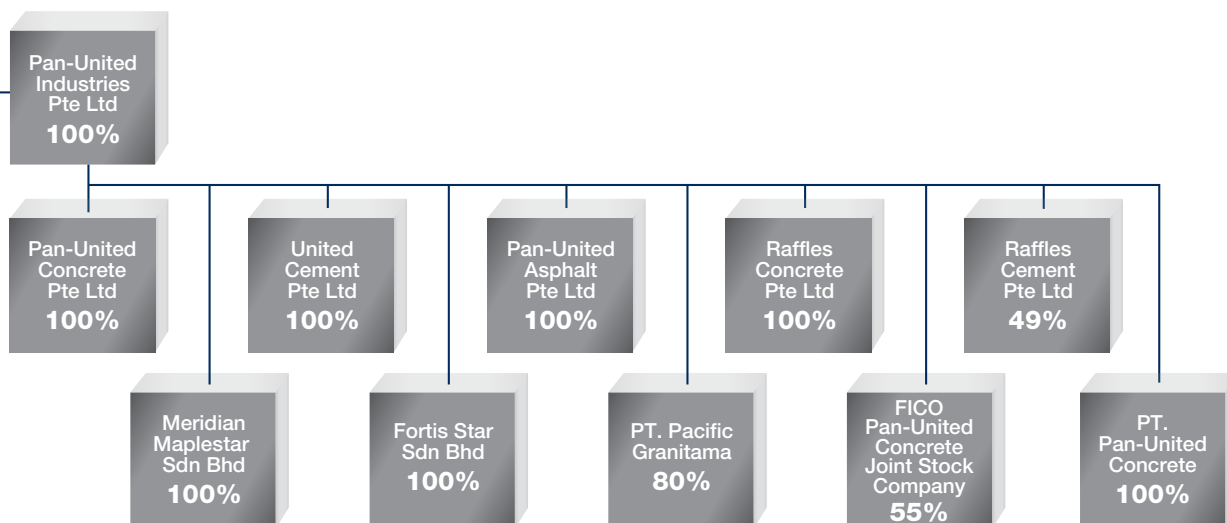
# Value Added Statement

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>Value added from</b>   |                |                |
| Revenue earned  | 763,197        | 727,396        |
| Less bought in materials and services   | (638,051)      | (600,633)      |
| Gross value added   | 125,146        | 126,763        |
| <b>Other non-operating income/(expense)</b>   |                |                |
| Interest, investment income and other income  | 3,515          | 4,064          |
| Share of results of associated companies  | 2,317          | 2,084          |
| Foreign exchange (loss)/gain  | (645)          | 1,187          |
| Total Group's value added   | 130,333        | 134,098        |
| <b>Distribution of Group's value added</b>  |                |                |
| To providers of capital on  |                |                |
| Interest expense  | 13,016         | 4,920          |
| Dividends to non-controlling interests  | 611            | 764            |
| Dividends to shareholders, paid and proposed  | 23,818         | 23,785         |
|   | 37,445         | 29,469         |
| To employees in wages, salaries and benefits  | 38,156         | 34,146         |
| To government in income and other taxes   | 18,935         | 22,362         |
|   | 94,536         | 85,977         |
| <b>Balance retained in business</b>   |                |                |
| Depreciation expenses   | 25,075         | 19,378         |
| Non-controlling interests   | 2,782          | 6,742          |
| Retained profit for the year  | 8,585          | 20,814         |
|   | 36,442         | 46,934         |
| <b>Non-productive item</b>  | (645)          | 1,187          |
|   | 130,333        | 134,098        |
| <b>Gross productive analysis</b>  |                |                |
| Number of employees   | 1,373          | 1,213          |
| Value added per employee (\$'000)   | 94.9           | 110.6          |
| Value added per employee costs (\$)   | 3.4            | 3.9            |
| Value added per dollar revenue (cents)  | 17             | 18             |
| Value added per dollar investment in vessels, property, plant and equipment (cents) | 29             | 46             |

## Corporate Structure

### Pan-United Corporation Ltd

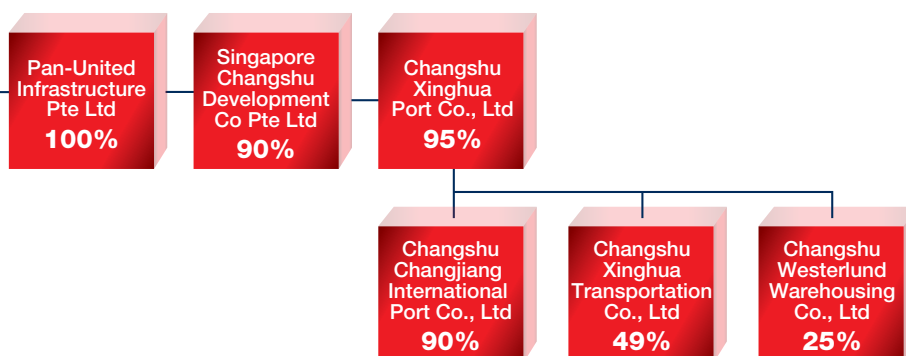
#### Basic Building Resources



#### Shipping



#### Port





## Chairman's Message

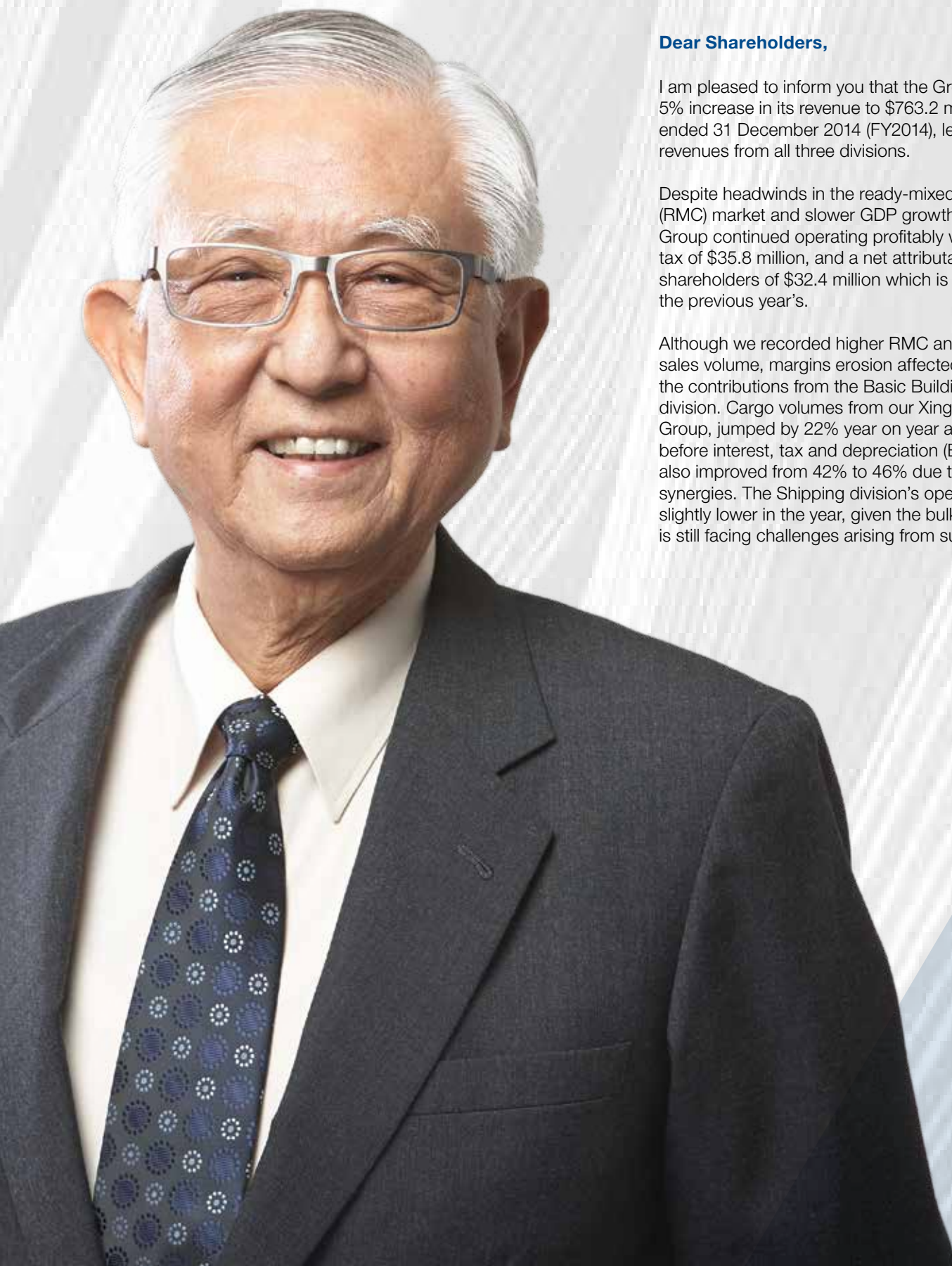
# Passion In All We Do

### Dear Shareholders,

I am pleased to inform you that the Group reported a 5% increase in its revenue to \$763.2 million in year ended 31 December 2014 (FY2014), led by higher revenues from all three divisions.

Despite headwinds in the ready-mixed concrete (RMC) market and slower GDP growth in China, the Group continued operating profitably with a profit after tax of \$35.8 million, and a net attributable profit to shareholders of \$32.4 million which is 27% lower than the previous year's.

Although we recorded higher RMC and cement sales volume, margins erosion affected adversely the contributions from the Basic Building Resources division. Cargo volumes from our Xinghua Port Group, jumped by 22% year on year and earnings before interest, tax and depreciation (EBITDA) margin also improved from 42% to 46% due to operational synergies. The Shipping division's operating profit was slightly lower in the year, given the bulk shipping market is still facing challenges arising from surplus capacity.





The Group generated a positive net cash flow from operations of \$24.9 million in FY2014 which underpins its consistent ability to pay yearly cash dividends to shareholders. New investments and operational expansions continued, laying the foundation for growth in the Group's markets. A total of \$113.2 million was invested to acquire the new port in China and to expand the production capacity of the Group's RMC business and aggregates quarry in Indonesia. We also bought back \$2.4 million worth of the Company's issued ordinary equity as treasury shares during the year. At the end of FY2014, the Group had net borrowings of \$214.1 million, representing a net gearing of 0.68 times.

### Passion In All We Do

As a committed and cohesive team, we are collectively passionate in all we do. We lead by example to deliver our best in product quality, service and reliability and strive to continuously improve our value proposition to our customers. The result - customers trust us to deliver a high level of service, always.

Our strong determination to excel and our dedicated goal towards "Building A Better Future" buttress our consistent growth. Indeed, commitment, hard work, integrity and strong team spirit of our people have combined to nurture Pan-United Corporation Ltd into the company that it is today.

### Investing for the Future

In March 2014, six months after the Group raised its investment in Changshu Xinghua Port Co., Ltd (CXP) from 51.3% to 85.5%, the Group, through CXP, acquired a 90% equity stake in the contiguous new port, Changshu Changjiang International Port Co., Ltd (CCIP), for RMB436.5 million.

With this strategic acquisition, we have gained additional handling and berthing capacities which will strengthen our position as a leading hub serving the Yangtze River Delta Economic Zone, central and eastern region of China. The major cargoes handled by both ports include finished steel products, equipment and machinery for export markets, as well as imported pulp and logs to meet domestic demand.

The Group's capital expenditure in 2015, mainly in Indonesia and Malaysia, will be for a new manufacturing plant for cementitious materials and RMC, and for quarry opportunities. Already the largest supplier of RMC and cement in Singapore, our overseas expansion will serve to propel our medium term growth and further enlarge our footprint in the region.

### Outlook & Prospects

The Group's strategic roadmap forward is to stay focused on its core businesses and expand in existing markets and also build up new markets to capture profitable opportunities. The latter initiative requires time to realise results, and when executed well, will enable the Group to deliver a sustained level of earnings growth over the long term.

Concurrently, the Group remains committed to developing its people into its future leaders. Besides allocating resources for skills training and personal development initiatives, the Group will also continuously invest in technology to achieve higher productivity and organisational effectiveness.

In Singapore, the Building and Construction Authority forecasted for 2015 total construction contract awards of \$29 billion to \$36 billion, following an exceptionally strong performance of \$38 billion in 2014. Nevertheless, the basic building materials market is expected to remain highly competitive due to fewer private sector projects coming onstream and higher operating costs.

Our Xinghua Port Group's facilities give us much room to grow cargo volumes organically. As our ports are strategically located within the most industrialised belt in China, we are confident of continuous cargo growth which will enable the Group to create positive shareholder value.

### Proposed Dividend

The Board has recommended a one-tier tax-exempt final ordinary dividend of 2.75 cents per share (FY2013: 2.75 cents). The proposed FY2014 final dividend will be distributed on 8 May 2015 if approved by shareholders at the next Annual General Meeting on 23 April 2015.

Including the interim dividend of 1.5 cents per share paid in September 2014, the total dividends for FY2014 will be 4.25 cents (FY2013: 4.25 cents). The total cash dividend distribution of \$23.8 million represents a full-year dividend payout ratio of 74%.

### Acknowledgements

On behalf of the Board, I thank all shareholders for your trust and confidence in us. We are also grateful for the strong support from our valued customers and business associates. The commitment and passion of our employees give us much confidence to take our core businesses further. For this, we are deeply appreciative of the hard work, team spirit and dedication of our people.

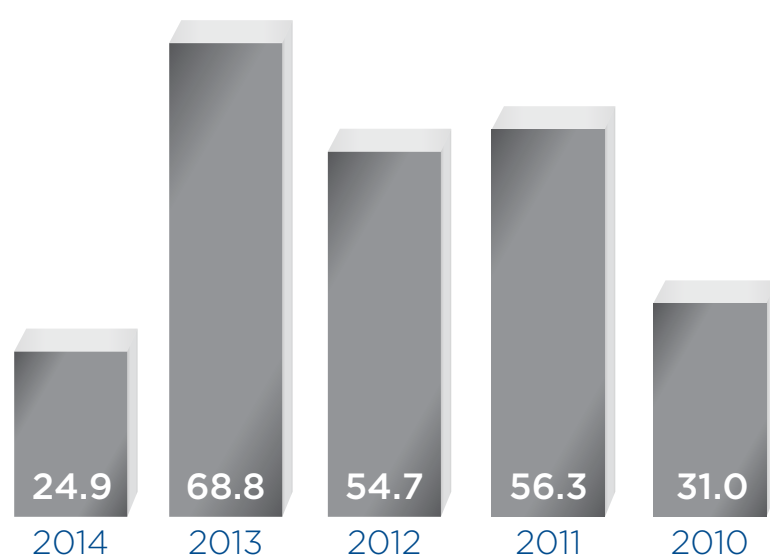
Finally, I would like to express my sincere gratitude to my fellow directors for their invaluable counsel and wise guidance in steering the Group in a prudent and planned manner throughout the years.

Yours sincerely,

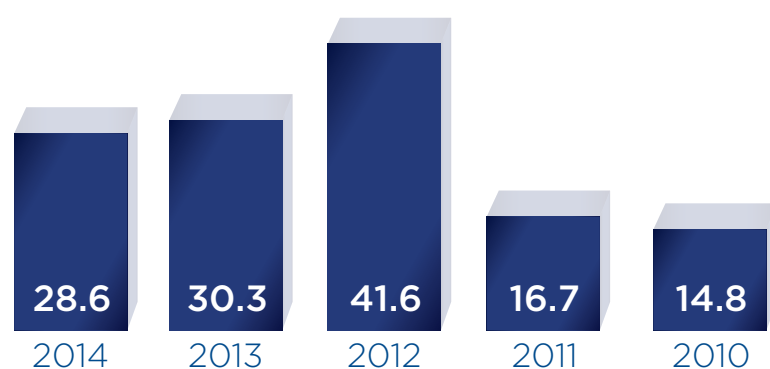
**Ch'ng Jit Koon**  
Chairman

## Other Financial Information

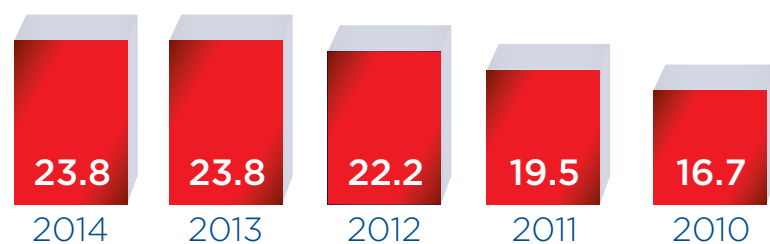
### Net Cash Flows Generated From Operating Activities (\$'m)



### Capital Expenditure (\$'m)



### Dividend Payout (\$'m)



Total dividends of  
**4.25 cents**  
per share for  
FY2014

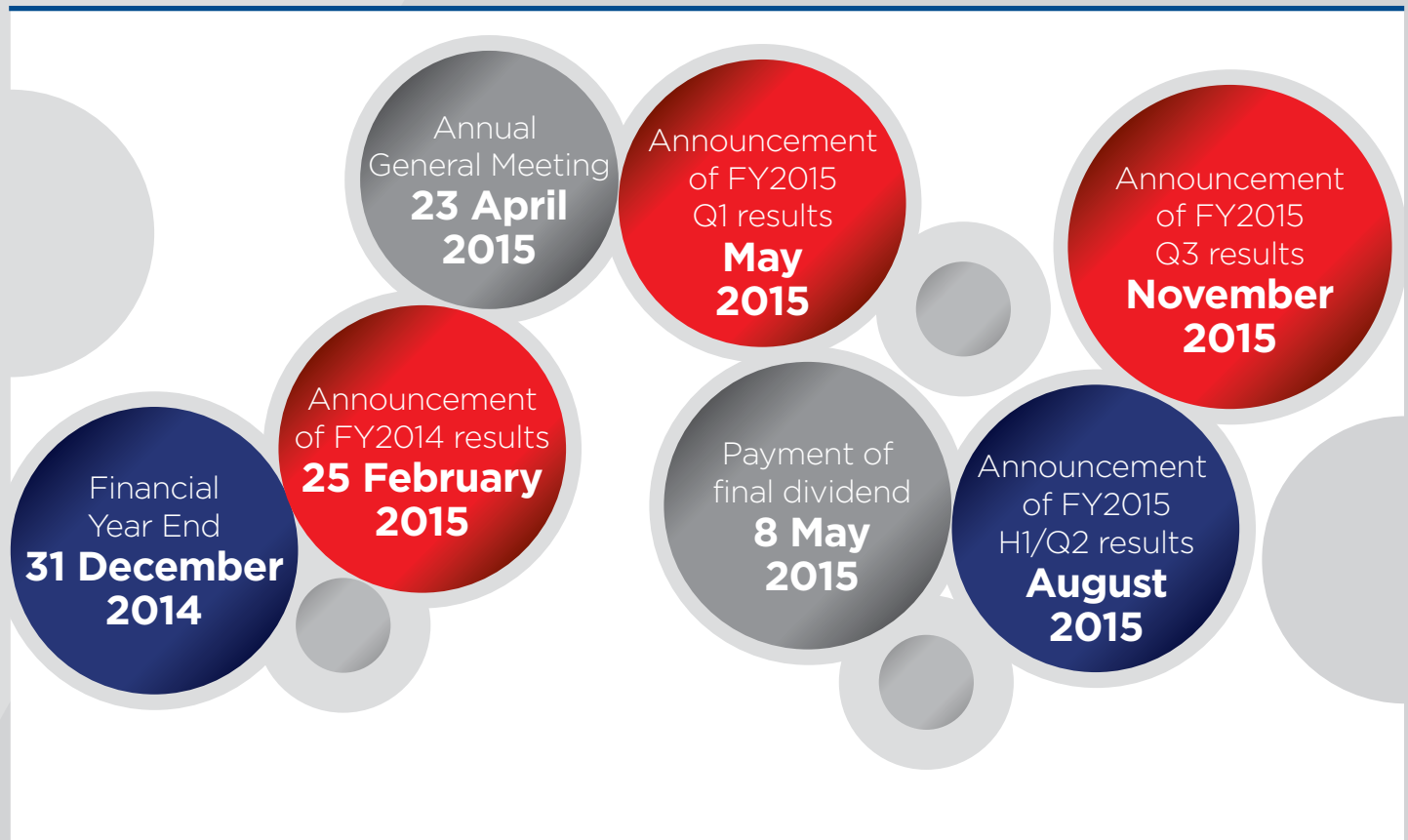
### Total Dividends Per Share (cents)

|          | 2014 | 2013 | 2012 | 2011 | 2010 |
|----------|------|------|------|------|------|
| Ordinary | 4.25 | 4.25 | 4.00 | 3.50 | 3.00 |

### Dividend Payout Ratio (%)

|          | 2014 | 2013 | 2012 | 2011 | 2010 |
|----------|------|------|------|------|------|
| Ordinary | 74   | 53   | 52   | 64   | 82   |

## Financial Calendar



## 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

Lynn Wan Tiew Leng

#### 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)

## 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 organisations, and is also a director of Ho Bee Land Limited, Progen Holdings Ltd and Santak Holdings Limited. Mr Ch'ng was previously a director of Tung Lok Restaurants (2000) Ltd.

**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 Ltd. She is also a director of Choice Homes Investments Pte Ltd.



**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.



**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 Singapore Chartered Accountants. Currently Mr Wong is also a director of Venture Corporation Limited, Chartered Asset Management Pte Ltd and John K Young Pte Ltd. Mr Wong was previously a director of British & Malayan Trustees Ltd.





**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.

**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 Metro Holdings Limited and Singapura Finance Ltd. Mr Phua was previously a director of GP Industries Limited and Wing Tai Holdings 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.



# Operations Review





# Passion

## In All We Do

### Basic Building Resources

FY2014 was a challenging year. From the start, the Singapore construction industry felt the adverse effects of tighter foreign manpower quotas and shorter working hours at sites close to residential areas. As a result, construction projects took a longer time to complete, lowering demand for ready-mixed concrete (RMC) and cement.

During the year, our team clinched several significant contracts. These include the supply of RMC and cement to the Land Transport Authority's latest subway development, the Thomson Line, the PSA Pasir Panjang Terminal 3, Sengkang Hospital, Project Jewel at Changi Airport and the mega shipyard at Tuas South. The division also bagged



Although the \$37.7 billion worth of construction contracts awarded during the year held up at around the previous year's level, these were geared towards mega public sector civil engineering works and institutional projects. With fewer private sector projects available, price competition intensified in the RMC and cement sectors. The softer prices, together with rising costs, compressed the profit margin of our Basic Building Resources (BBR) operations.

Despite the difficult operating environment, revenue in the BBR division rose 2% to \$612.1 million as our sales volume for RMC and cement climbed in the year, hitting records of 5.2 million cubic metres and 2.0 million tonnes respectively, even though Singapore's RMC demand was flat at 15.0 million cubic metres and cement and slag demand in Singapore was comparable at 7.1 million tonnes.

But we did not just sell more RMC and cement, in fact, our volumes are the highest ever to be achieved in Singapore, rising at a CAGR of over 17% per annum since FY2010.

private residential projects like The Panorama and The Santorini, as well as HDB BTO projects in Yishun, Jurong West and Woodlands.

Notable private sector projects we supplied to in the year are the Tanjong Pagar Centre and Project Jewel. For Tanjong Pagar Centre, Singapore's tallest building when completed in 2016, we achieved another first in Singapore when we supplied the single largest continuous concrete pour of 13,545 cubic metres of self-compacting concrete in 42 hours. We also supplied customised RMC to the project to meet our customer's unique construction requirements whilst saving on manpower and time. This is just one of the examples of how we work hand in hand with our customers to provide them the best cost effective solutions that meet their exacting engineering requirements.

Fuelled by the passion of our people to keep on excelling in our service and product solutions, we continued to expand our RMC facilities and invest further in technology. As early adopters of technology in the RMC business, we continue to develop solutions to improve customer experience and use our assets efficiently whilst staying cost effective.





**We plan to grow  
our presence in the  
countries we are already  
operating in – namely,  
Singapore, Indonesia,  
Malaysia and Vietnam.**



The completion of our second cement terminal, which is operated by Raffles Cement Pte Ltd, in the year, is timely as cement demand is expected to increase in FY2015 due to land preparation and strengthening works for Changi Airport Terminal 5 and Tuas West Port.

The Vietnam economy has bottomed out and there are positive signs of a gradual, albeit slow recovery. Our existing RMC joint venture is primarily focused on the RMC market in Ho Chi Minh City where we have been building on our brand name for quality to win contracts to supply RMC to iconic projects, leading developers and contractors.



### Plans for the Region

We plan to grow our presence in the countries we are already operating in – namely, Singapore, Indonesia, Malaysia and Vietnam.

In FY2014, we invested \$24.6 million to prepare the Group for its next growth phase. This included the expansion of capacity at our Indonesian quarry as well as the acquisition of a piece of land in Malaysia to set up a manufacturing plant for RMC and cementitious material.

The completion of our second production line in our Indonesian quarry in September 2014 has more than replaced our Malaysian quarry which ceased operations in the year when the contract was terminated. Our overall production capacity will increase from 3.0 million tonnes to 4.0 million tonnes per annum in FY2015. Having already invested time and effort to understand the Indonesian RMC market, we plan to set up our first batching plant in Jakarta in FY2015.

While these regional investments will take time to realise their full potential, we are confident that they will contribute to our future growth.

### Outlook

We expect the RMC and cement sectors to remain highly competitive in FY2015. Nevertheless, we are confident of holding our position and remaining resilient in the face of another difficult year, having taken steps to fortify our business processes and enhance service levels.

We will also continue to focus on building on the strengths of the organisation and steer our businesses towards sustainable profitable growth over the medium term.



The complementary operations of CXP and CCIP and their close proximity provide much commercial and operational synergies.



### Port Division

Changshu Xinghua Port Co., Ltd (CXP) had undergone a few positive transformation in terms of its business, operations and facilities since it began operations in 1997. CXP's acquisition of a 90% equity stake in Changshu Changjiang International Port Co., Ltd (CCIP) in FY2014 was another positive move towards expanding its businesses.

jumped from 10.0 million tons to 16.0 million tons per year. In addition, the enlarged port facilities has a berth length of 2.8 km, an increase of over 60%, while its warehouse space expanded by over 60% to 175,000 sq meters. With a total land area of 1.4 sq km, we now own one of China's largest dry bulk river ports.




The \$88.6 million (RMB436.5 million) acquisition was completed on 24 March 2014 and the Group, which has an effective 77% beneficial interest in CCIP, is already benefitting from the enlarged port facilities.

Ready in November 2012, CCIP is a fully operational port located just adjacent to CXP. CCIP operates a break bulk cargo port similar to CXP but is smaller in design throughput and size. After the acquisition, the total design capacity of the ports,

The complementary operations of CXP and CCIP and their close proximity provide much commercial and operational synergies.

The Port division continues to ride on CXP's established and strong reputation for efficiency and high service standards and has already begun to widen its cargo sources and secure new customers. Last year, we handled 22% more general cargo tonnage despite slower economic growth in China. This significant increase in throughput also reflects the Port division's resilience due to its strategic location at the mouth of the Yangtze River, serving the high growth Yangtze River Delta Economic Zone, central and eastern region of China.





The hard work and efforts of our Port team to integrate the operations of the two ports and grow its cargo base enabled us to turn the loss-making CCIP around in FY2014.



The Group consolidated the results of CCIP from 1 April 2014. Port revenue improved 17% to \$80.9 million. This was mainly supported by cargo growth from finished steel products, export machinery equipment, and pulp. The division's EBITDA grew by 27% to \$37.0 million, with an improved EBITDA margin of 46% in FY2014, due to synergies of operating CXP and CCIP jointly.

As both ports' key facilities are already built up, we expect the Port division to continue generating positive free cashflow from operations and these funds will be used to further pare down our debt in the next few years.

#### Shipping division

Shipping division's revenue was \$70.2 million, a \$10.6 million increase from the previous year due mainly to higher trading activities as we secured



Our Port team's efforts to integrate the operations of the two ports and expand the cargo base enabled us to turn the loss-making CCIP around in FY2014, surpassing our target to halve its loss. As a result, the Port division registered a profit after tax of \$15.0 million despite a hefty interest expense of \$11.6 million. The interest expense increased significantly due to increase in bank borrowings for the acquisition of CCIP.

Utilisation of the enlarged port facilities was about 70% in FY2014 and there is still room to grow our cargo volumes organically. The Port division remains optimistic of registering further cargo volume growth in FY2015.

The Port continued to generate free cashflow from operations during the year and this was utilised to pay down the division's outstanding loans which ended 2014 at \$190.8 million.

new sources of granite aggregates and coal cargoes. The higher level of trading activities helped to sustain fleet utilisation despite the soft dry bulk shipping market. However, the division registered 64% lower attributable profit of \$0.6 million mainly due to lower dividend income from our coal mine investment.

As surplus capacity in dry bulk shipping is expected to continue to have an adverse impact our tug and barge business, our shipping team will remain focused on improving utilisation and lowering our costs.

# Financial Report

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# Report on Corporate Governance

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

This report describes the Company's corporate governance practices that were in place for the financial year ended 31 December 2014 (FY2014) 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 (NC) for re-election and re-appointment:

Directors retiring pursuant to Article 89 of the Company's Articles of Association:

- Lee Cheong Seng
- Jane Kimberly Ng Bee Kiok

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: The 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 objective 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 performance;
- set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met; and
- identify the key stakeholders groups and recognise that their perceptions affect the Company's reputation.

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, SGX 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: The 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 objective and the Management remains accountable to the Board.** (continued)

### Delegation of Authority on certain Board Matters

To facilitate effective management, certain functions have been delegated to the four board committees, namely, the Audit Committee, Executive Committee, Nominating Committee and Remuneration Committee, each of which is governed by clear terms of reference which has been approved by the Board. Minutes of all board 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

### Meetings of the Board and Board Committees

The Board meets at least four times annually and also 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    | Audit Committee | Nominating Committee | Remuneration Committee | General Meeting |
|---------------------------------|----------|-----------------|----------------------|------------------------|-----------------|
| <b>Total number of meetings</b> | <b>5</b> | <b>4</b>        | <b>1</b>             | <b>2</b>               | <b>1</b>        |
| Ch'ng Jit Koon                  | 5        | 4               | 1                    | –                      | 1               |
| Patrick Ng Bee Soon             | 5        | –               | –                    | –                      | 1               |
| Ng Bee Bee                      | 5        | –               | –                    | –                      | 1               |
| Jane Kimberly Ng Bee Kiok       | 5        | –               | –                    | –                      | 1               |
| Lee Cheong Seng                 | 5        | –               | 1                    | –                      | 1               |
| Cecil Vivian Richard Wong       | 5        | 4               | –                    | 2                      | 1               |
| Phua Bah Lee                    | 5        | –               | 1                    | 2                      | 1               |
| Tay Siew Choon                  | 5        | 4               | –                    | 2                      | 1               |

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

The Company has adopted a policy to instill and encourage continuous education and training for the Board to keep pace with the regulatory changes and latest developments relevant to the Group. All the directors are members of the Singapore Institute of Directors (SID). An annual budget has been allocated for the training needs of the Board. Under the purview of the Nominating Committee, the directors are encouraged to attend conferences and seminars, organised by SID and other professional organisations, relating to finance, legal, business strategy, risk management and corporate governance issues. In FY2014, the directors attended a total of twenty-five hours of training.

### Board Composition and Guidance

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

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

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



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

The Board, with the concurrence of the NC, having reviewed and considered the size of the Board and the board committees, is of the view that the current size is appropriate for the nature and scope of the Company's operations and facilitates effective decision making for the existing needs and demands of the Group's businesses. The Board, with the concurrence of the NC, is also of the view that the composition of the Board and the board committees, as a group, provides an appropriate balance and diversity of skills, experience, gender and knowledge of the Group. No individual or group dominates the Board's decision making process.

The non-executive directors met up without the presence of management, to facilitate a more effective check on the Management.

### Chairman and Chief Executive Officer (CEO)

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

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

The Chairman's role includes the following:

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

### Board Membership

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

The Nominating Committee comprises three members who are all non-executive independent directors, namely:

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

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 conduct a rigorous review to determine the independence of any director who has served the Board beyond nine years since his date of appointment;
- to decide whether or not a director is able to and has been adequately carrying out his duties as director of the Company;
- to assess, through a process implemented by the Board, the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board; and
- to review training and professional development programmes for the directors.

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

The NC, in its annual review of the appropriate size and composition of the Board, may make recommendations to the Board for new board appointments. The NC will take the lead in identifying, evaluating and selecting suitable candidates as new directors for the Board's consideration. The NC may engage, if necessary, external search consultants or other advisers to assist with the identifying and short-listing of potential candidates. A formalised letter of appointment, detailing the duties and expectations of a director, will be issued to new directors. No new director was appointed by the Company in FY2014. 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.** (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            | 81  | Chairman, Independent Director | 01/04/1997                | 21/04/2014               |
| Patrick Ng Bee Soon       | 52  | Deputy Chairman                | 25/05/1993                | 21/04/2014               |
| Ng Bee Bee                | 47  | Chief Executive Officer        | 31/01/2004                | 18/04/2013               |
| Jane Kimberly Ng Bee Kiok | 53  | Executive Director             | 12/03/2009                | 19/04/2012               |
| Lee Cheong Seng           | 68  | Independent Director           | 29/11/1993                | 19/04/2012               |
| Cecil Vivian Richard Wong | 92  | Independent Director           | 01/10/1992                | 21/04/2014               |
| Phua Bah Lee              | 82  | Independent Director           | 29/11/1993                | 21/04/2014               |
| Tay Siew Choon            | 67  | Independent Director           | 01/02/2005                | 21/04/2014               |

#### Notes

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

### Board Performance

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

The Board has adopted an internal process for evaluating the effectiveness of the Board and its board committees as a whole annually. Each director is required to complete a board 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. Each director's individual performance is also undertaken on an annual basis through peer evaluation and self assessment.

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

Based on the results of the evaluation exercise of the Board as a whole as well as the actual performance of each director for FY2014, the NC is satisfied that all the directors have adequately carried out their duties, notwithstanding their multiple board representations.

### Access to Information

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

The directors are provided with quarterly reports on the Group's financial position as well as timely and complete information to enable them to discharge their responsibilities. The directors are at liberty to request for further explanations, briefings or additional materials on any operational or business issues.

The 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. No director should be involved in deciding his own remuneration.**

**Level and Mix of Remuneration**

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

**Disclosure on Remuneration**

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

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

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

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

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

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

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

The following table shows the breakdown of the level and mix of directors' remuneration for FY2014:

| <b>Name of director</b>           | <b>Base salary/<br/>Directors' fees</b> | <b>Performance-<br/>related bonus</b> | <b>Share options<br/>granted</b> |
|-----------------------------------|---|---------------------------------------|----------------------------------|
| <b>\$1,500,000 to \$1,750,000</b> |   |                                       |                                  |
| Patrick Ng Bee Soon               | 13%                                     | 87%                                   | –                                |
| <b>\$500,000 to \$750,000</b>     |   |                                       |                                  |
| Ng Bee Bee                        | 58%                                     | 42%                                   | –                                |
| Jane Kimberly Ng Bee Kiok         | 47%                                     | 53%                                   | –                                |
| <b>Below \$250,000</b>            |   |                                       |                                  |
| 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 sensitivity and confidentiality of remuneration matters and the highly competitive industry conditions of the Group's operations, the Company has not disclosed the exact details of the remuneration of the CEO and the directors. The Company has, however, disclosed the remuneration of the CEO and the directors in bands of \$250,000. On the same token, the Company believes that the disclosure of remuneration of the top five key management personnel as recommended by the Code would be disadvantageous to the Group's interests.

## Report on Corporate Governance (continued)

### Disclosure on Remuneration (continued)

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

For FY2014, the details of the remuneration of an employee who is an immediate family member of the CEO and is related to the other executive directors which exceed S\$50,000 are as follows:

| Details of employee  | Base salary | Performance-related bonus | Share options granted |
|--|-------------|---------------------------|-----------------------|
| <b>\$250,000 – \$500,000</b>   |             |                           |                       |
| 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) | 70%         | 30%                       | –                     |

### Details of the Pan-United Share Option Scheme

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

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

Details of the share options granted pursuant to the Scheme 2002 are set out in the Directors' Report on pages 31 and 32 of the Annual Report. In accordance with Rule 704(29) of the Listing Rules, the necessary SGXNET announcement of the FY2014 share option grant was made on 19 November 2014.

### Accountability and Audit

#### Accountability

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

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

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

### Risk Management and Internal Controls

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

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

#### Risk Management and Internal Controls

The Audit Committee (AC) assists the Board in overseeing the Group's overall enterprise risk management framework and policies and ensuring that 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 shareholders' interests.

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

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

In assessing the effectiveness of the Group's internal control systems, the AC, under the general direction of the Board, oversees 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, who oversees the areas which would have been under the charge of a Chief Financial Officer, that for FY2014, 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, including but not limited to financial, operational, compliance and information technology controls 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, addressing the financial, operational, compliance and information technology risks, are effective and also adequate.

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

### Key Risks facing the Group

The Group is vulnerable to a number of risks applicable to the industries and the areas in which it operates. The Group's approach to financial risk management is listed on pages 77 to 80 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, mainly for the construction industry. On the supply side, it is exposed to any disruption to raw material supplies and increases in raw material prices. The 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 its 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

The Group's Changshu Xinghua Port Co., Ltd (CXP) and Changshu Changjiang International Port Co., Ltd (CCIP), collectively known as Xinghua Port Group, are located 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. Xinghua Port Group is dependent on import and export trade of cargoes such as steel, logs and pulp and paper which contribute significantly to the total revenue of the Port division. To help manage these risks, the Port division 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 ports as one of the leading distribution hubs for steel, logs and pulp and paper along the Yangtze River.

#### 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 leading practice security controls, so as to ensure an appropriate level of security awareness at all times by users of the Group's IT systems.

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

### Audit Committee

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

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

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

## Report on Corporate Governance (continued)

### Audit Committee (continued)

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

(continued)

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 controls. It also keeps under review the Group's programme to monitor compliance with its legal, regulatory and contractual obligations. The AC reviews the quarterly financial statements of the Company as well as the auditors' reports.

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

In FY2014, the AC, with the approval of the Board, assumed the function of the board risk committee to oversee the Group's enterprise risk management framework and policies.

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

During the year, the key activities of the AC included the following:

- reviewed and recommended to the Board the quarterly and full-year financial results and related SGX announcements;
- reviewed and evaluated with internal and external auditors, the adequacy and effectiveness of internal control systems, including financial, operational and compliance controls;
- reviewed and approved the internal and external audit plans to ensure the adequacy of the audit scope;
- reviewed with internal auditor the audit reports and their recommendations and timely implementation of any improvement measures;
- reviewed the adequacy and effectiveness of the Group's internal audit function, including the adequacy of internal audit resources and its appropriate standing within the Group and re-appointed the internal auditor for FY2015 and FY2016;
- reviewed with external auditor the key areas of audit emphasis, periodic updates on changes in accounting standards and treatment, independence, fraud considerations and summary of audit differences;
- reviewed the Enterprise Risk Management reports, its mitigation factors and updates;
- reviewed whistle-blowing investigations and ensuring appropriate follow-up actions, if required;
- reviewed Interested Person Transaction under Chapter 9 of the SGX listing Manual;
- reviewed and recommended to the Board the proposed dividends for financial year ended 31 December 2014;
- met with external and internal auditors without the presence of the Management;
- reviewed the letter of engagement of auditors;
- reviewed and recommended the re-appointment of external auditor at the next Annual General Meeting; and
- reviewed the audit and non-audit fee of the external auditor and is satisfied with the audit fees paid to the auditor.

The aggregate amount of audit and non-audit fees payable to the external auditor, Ernst & Young LLP (EY), for FY2014 is disclosed in financial note 4 on page 55 of the Annual Report. The AC has conducted a review of the non-audit services provided by EY and is satisfied that the independence of EY is not affected by such non-audit services and recommends to the Board the re-appointment of EY as the external auditor of the Company for the financial year ending 31 December 2015.

With regards to the proposed re-appointment of the external auditor, the AC is satisfied that the Company has complied with the SGX Listing Rules 712 and 715. In addition, the AC is satisfied that the Company has complied with Rule 715 of the SGX Listing Rules regarding the audit of the Company's foreign subsidiaries and joint-ventures for FY2014.

### Whistle-Blowing Policy

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

### Internal Audit

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

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

The IA's primary reporting line is to the AC Chairman directly although the IA also reports administratively to the CEO. The IA reports their findings and recommendations directly to the AC. Under its Terms of Reference, the AC reviews and approves the internal audit plan. The AC also reviews the adequacy and effectiveness of the IA's function. The AC has re-appointed PwC as the Company's IA for FY2015 and FY2016.

**Shareholder Rights and Responsibilities****Shareholder rights**

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

**Communication with Shareholders**

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

**Conduct of Shareholder Meetings**

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

The Company does not practise selective disclosure. Price-sensitive announcements, quarterly and full-year results are released via 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. Shareholders can request for a printed copy at no cost if they still wish to receive the Annual Report in paper form. To enhance its communication with shareholders, the Company's website at [www.panunited.com.sg](http://www.panunited.com.sg) provides shareholders with information about the Group.

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

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

The 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 Company is not implementing absentia voting methods, such as voting by mail, email, fax, etc., until the security and integrity issues are satisfactorily resolved.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon request.

Since 2012, the Company put all resolutions to vote by electronic poll at the annual general meetings. An independent scrutineer for the poll makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages at the end of each vote. The shareholders are briefed on the voting procedures and how to vote for and against each resolution using the electronic hand-held device. The scrutineer will conduct a test poll to vote on a test resolution to familiarise the shareholders with the voting procedures and the electronic hand-held device. After the Company's general meetings, the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET.

The Company conducts analyst briefings regularly and also has a dividend policy in place which is to distribute, subject to projected funds requirements, not less than one third of its annual attributable profits to shareholders as dividends.

**Listing Rule 1207(19) - Dealings in securities**

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

**Material contracts**

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

**Interested person transactions**

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis.

There was no interested person transaction as defined in Chapter 9 of the SGX Listing Manual, entered into by the Company or the Group during FY2014

On behalf of the Board of Directors,

**Ch'ng Jit Koon**  
Chairman

**Ng Bee Bee**  
Chief Executive Officer

Singapore  
19 March 2015



# 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 2014.

## 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 |
| <b>The Company</b>                |                                    |                              |                                    |                              |
| <b>Pan-United Corporation Ltd</b> |                                    |                              |                                    |                              |
| (ordinary shares)                 |                                    |                              |                                    |                              |
| Ch'ng Jit Koon                    | 1,148,000                          | 1,298,000                    | —                                  | —                            |
| Patrick Ng Bee Soon               | 23,420,030                         | 25,828,030                   | 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                   | 2,300,000                          | 2,000,000                    | —                                  | —                            |
| Cecil Vivian Richard Wong         | 500,000                            | 500,000                      | —                                  | —                            |
| Phua Bah Lee                      | 1,140,000                          | 1,290,000                    | —                                  | —                            |
| Tay Siew Choon                    | 680,000                            | 830,000                      | —                                  | —                            |

\* These include 153,000,000 (as at 1 January 2014: 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 | 450,000 | — | — |
| Cecil Vivian Richard Wong | 600,000 | 300,000 | — | — |
| 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 2015.

**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 2014 are as follows:

| Date granted | Exercise price | Exercise period         | No. of Share Options                        |                      |             |                        |
|--------------|----------------|-------------------------|---|----------------------|-------------|------------------------|
|              |                |                         | At 1 January 2014 or date of grant if later | Forfeited/<br>Lapsed | Exercised   | As at 31 December 2014 |
| 20/11/2006   | \$0.60         | 20/11/2007 - 19/11/2016 | 63,000                                      | –                    | (35,000)    | 28,000                 |
| 22/11/2007   | \$0.83         | 22/11/2008 - 21/11/2017 | 160,000                                     | –                    | –           | 160,000                |
| 19/11/2008   | \$0.38         | 19/11/2009 - 18/11/2018 | 60,000                                      | –                    | (60,000)    | –                      |
| 19/11/2009   | \$0.52         | 19/11/2010 - 18/11/2019 | 80,000                                      | –                    | (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 | 398,000                                     | –                    | (398,000)   | –                      |
| 18/11/2011   | \$0.47         | 18/11/2012 - 17/11/2016 | 150,000                                     | –                    | (150,000)   | –                      |
| 18/11/2011   | \$0.47         | 18/11/2012 - 17/11/2021 | 822,000                                     | –                    | (670,000)   | 152,000                |
| 15/11/2012   | \$0.68         | 15/11/2013 - 14/11/2017 | 750,000                                     | –                    | (600,000)   | 150,000                |
| 15/11/2012   | \$0.68         | 15/11/2013 - 14/11/2022 | 1,416,000                                   | –                    | (639,500)   | 776,500                |
| 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              |
| 19/11/2014   | \$0.87         | 19/11/2015 - 18/11/2019 | 750,000                                     | –                    | –           | 750,000                |
| 19/11/2014   | \$0.87         | 19/11/2015 - 18/11/2024 | 1,711,000                                   | –                    | –           | 1,711,000              |
|              |                |                         | 8,896,000                                   | –                    | (2,782,500) | 6,113,500              |

During the financial year ended 31 December 2014, the Company has granted 750,000 options to non-executive directors of the Company and 1,711,000 options to certain employees of the Group, at the exercise price of \$0.87. Details of these options granted are as follows:

| Exercisable date | Expiry date | Number of options |
|------------------|-------------|-------------------|
| 19/11/2015       | 18/11/2019  | 750,000           |
| 19/11/2015       | 18/11/2024  | 507,000           |
| 19/11/2016       | 18/11/2024  | 519,000           |
| 19/11/2017       | 18/11/2024  | 685,000           |
|                  |             | 2,461,000         |

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:

- 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;
- the options granted under the Scheme 2002 were granted without any discount; and
- 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                               | 1,740,000  | (1,290,000)  | (150,000)   | 300,000   |
| Lee Cheong Seng           | 150,000                               | 5,990,000  | (5,540,000)  | –   | 450,000   |
| Cecil Vivian Richard Wong | 150,000                               | 1,740,000  | (1,290,000)  | (150,000)   | 300,000   |
| Phua Bah Lee              | 150,000                               | 1,740,000  | (1,290,000)  | (150,000)   | 300,000   |
| Tay Siew Choon            | 150,000                               | 1,430,000  | (830,000)  | (300,000)   | 300,000   |
|                           | 750,000                               | 12,640,000   | (10,240,000)   | (750,000)   | 1,650,000   |

### 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 2015.

### 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 2015



## 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 2014 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 2015

# 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 2014, 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 2014 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 2015

# Consolidated Income Statement

for the year ended 31 December 2014

|   | Notes | 2014<br>\$'000   | 2013<br>\$'000 |
|---|-------|------------------|----------------|
| <b>Revenue</b>  | 3     | <b>763,197</b>   | 727,396        |
| Other income  | 4     | <b>3,515</b>     | 4,064          |
| Raw materials, subcontract costs and other direct costs |       | <b>(593,027)</b> | (557,095)      |
| Staff costs   | 5     | <b>(38,156)</b>  | (34,146)       |
| Depreciation expenses                                   | 9     | <b>(25,075)</b>  | (19,378)       |
| Other expenses  | 4     | <b>(56,045)</b>  | (53,058)       |
| Finance costs   | 6     | <b>(13,203)</b>  | (5,463)        |
| Share of results of associates                          |       | <b>2,317</b>     | 2,084          |
| <b>Profit before income tax</b>                         | 4     | <b>43,523</b>    | 64,404         |
| Income tax  | 7     | <b>(7,727)</b>   | (12,299)       |
| <b>Profit for the year</b>                              |       | <b>35,796</b>    | 52,105         |
| <b>Attributable to</b>                                  |       |                  |                |
| Equity holders of the Company                           |       | <b>32,403</b>    | 44,599         |
| Non-controlling interests                               |       | <b>3,393</b>     | 7,506          |
|   |       | <b>35,796</b>    | 52,105         |
| <b>Earnings per share (in cents)</b>                    |       |                  |                |
| Basic   | 8     | <b>5.8</b>       | 8.0            |
| Diluted   | 8     | <b>5.8</b>       | 8.0            |



# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

|  | 2014<br>\$'000 | 2013<br>\$'000 |
|--|----------------|----------------|
| <b>Profit for the year</b>                                 | <b>35,796</b>  | 52,105         |
| <b>Other comprehensive income</b>                          |                |                |
| Fair value changes of derivatives                          | (641)          | –              |
| Foreign currency translation                               | 1,836          | 2,408          |
| <b>Other comprehensive income for the year, net of tax</b> | <b>1,195</b>   | 2,408          |
| <b>Total comprehensive income for the year</b>             | <b>36,991</b>  | 54,513         |
| <b>Total comprehensive income attributable to</b>          |                |                |
| Equity holders of the Company                              | 32,898         | 44,548         |
| Non-controlling interests                                  | 4,093          | 9,965          |
|  | <b>36,991</b>  | 54,513         |

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

# Balance Sheets

as at 31 December 2014

|   |       | Group          |                | Company        |                |
|---|-------|----------------|----------------|----------------|----------------|
|   | Notes | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>Non-current assets</b>                                   |       |                |                |                |                |
| Vessels, property, plant and equipment                      | 9     | 449,398        | 291,391        | 322            | 233            |
| Subsidiaries  | 10    | –              | –              | 206,220        | 194,774        |
| Associates  | 11    | 5,254          | 5,096          | –              | –              |
| Other investments   | 12    | 1,903          | 2,341          | –              | 11             |
| Other receivables   |       | 90             | 169            | –              | –              |
| Goodwill  | 13    | 23,974         | 2,345          | –              | –              |
| Deferred tax assets   | 21    | 1,218          | 194            | –              | –              |
|   |       | <b>481,837</b> | <b>301,536</b> | <b>206,542</b> | <b>195,018</b> |
| <b>Current assets</b>                                       |       |                |                |                |                |
| Cash and short-term deposits                                | 14    | 53,888         | 79,183         | 20,362         | 27,509         |
| Trade and other receivables                                 | 15    | 169,526        | 157,502        | 1,523          | 2,440          |
| Prepayments   |       | 3,280          | 2,980          | 165            | 357            |
| Work-in-progress  |       | 1,002          | 470            | –              | –              |
| Inventories   | 16    | 33,011         | 24,364         | –              | –              |
|   |       | <b>260,707</b> | <b>264,499</b> | <b>22,050</b>  | <b>30,306</b>  |
| <b>Current liabilities</b>                                  |       |                |                |                |                |
| Bank loans  | 17    | 25,520         | 45,953         | –              | 7,000          |
| Payables and accruals                                       | 18    | 136,840        | 120,898        | 1,754          | 2,715          |
| Deferred income   | 19    | 3,937          | 3,706          | –              | –              |
| Provisions  | 20    | 1,272          | 1,023          | –              | –              |
| Income tax payable  |       | 5,792          | 8,106          | 12             | 68             |
|   |       | <b>173,361</b> | <b>179,686</b> | <b>1,766</b>   | <b>9,783</b>   |
| <b>Net current assets</b>                                   |       | <b>87,346</b>  | <b>84,813</b>  | <b>20,284</b>  | <b>20,523</b>  |
| <b>Non-current liabilities</b>                              |       |                |                |                |                |
| Bank loans  | 17    | 242,495        | 81,575         | 75,000         | 45,000         |
| Deferred tax liabilities                                    | 21    | 7,983          | 6,529          | –              | –              |
| Deferred income   | 19    | 1,299          | 1,454          | –              | –              |
| Other liabilities   | 22    | 564            | 548            | –              | –              |
| Provisions  | 20    | 3,550          | 2,850          | –              | –              |
| Derivatives   | 23    | 641            | 214            | 641            | 214            |
|   |       | <b>256,532</b> | <b>93,170</b>  | <b>75,641</b>  | <b>45,214</b>  |
| <b>Net assets</b>   |       | <b>312,651</b> | <b>293,179</b> | <b>151,185</b> | <b>170,327</b> |
| <b>Equity attributable to equity holders of the Company</b> |       |                |                |                |                |
| Share capital   | 24a   | 92,052         | 90,630         | 92,052         | 90,630         |
| Treasury shares   | 24b   | (1,860)        | –              | (1,860)        | –              |
| Reserves  |       | 191,624        | 182,642        | 60,993         | 79,697         |
|   |       | <b>281,816</b> | <b>273,272</b> | <b>151,185</b> | <b>170,327</b> |
| <b>Non-controlling interests</b>                            |       | <b>30,835</b>  | <b>19,907</b>  | <b>–</b>       | <b>–</b>       |
| <b>Total equity</b>   |       | <b>312,651</b> | <b>293,179</b> | <b>151,185</b> | <b>170,327</b> |

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 2014

## Group 2014

|  | 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)<br>\$'000                          | (Note 24b)<br>\$'000 | (Note 25)<br>\$'000 | (Note 27)<br>\$'000                  | \$'000              | (Note 26)<br>\$'000 | \$'000         | \$'000                    | \$'000       |
| Balance at 1 January 2014                                  | 90,630  | -                    | 3,000               | (4,577)                              | 254,102             | (69,883)            | 182,642        | 19,907                    | 293,179      |
| Profit for the year  | -   | -                    | -                   | -                                    | 32,403              | -                   | 32,403         | 3,393                     | 35,796       |
| <b>Other comprehensive income</b>                          |   |                      |                     |                                      |                     |                     |                |                           |              |
| Foreign currency translation                               | -   | -                    | -                   | 1,136                                | -                   | -                   | 1,136          | 700                       | 1,836        |
| Fair value changes of derivatives                          | -   | -                    | -                   | -                                    | -                   | (641)               | (641)          | -                         | (641)        |
| Other comprehensive income for the year, net of tax        | -   | -                    | -                   | 1,136                                | -                   | (641)               | 495            | 700                       | 1,195        |
| Total comprehensive income for the year                    | -   | -                    | -                   | 1,136                                | 32,403              | (641)               | 32,898         | 4,093                     | 36,991       |
| <b>Contributions by and distributions to owners</b>        |   |                      |                     |                                      |                     |                     |                |                           |              |
| Cost of share-based payment (share options)                | -   | -                    | -                   | -                                    | -                   | 366                 | 366            | -                         | 366          |
| Issuance of shares under share option scheme               | 1,422   | -                    | -                   | -                                    | -                   | (206)               | (206)          | -                         | 1,216        |
| Purchase of treasury shares                                | -   | (2,447)              | -                   | -                                    | -                   | -                   | -              | -                         | (2,447)      |
| Reissuance of treasury shares                              | -   | 587                  | -                   | -                                    | -                   | (199)               | (199)          | -                         | 388          |
| Dividends on ordinary shares (Note 34)                     | -   | -                    | -                   | -                                    | (23,877)            | -                   | (23,877)       | -                         | (23,877)     |
| Total transactions with owners in their capacity as owners | 1,422   | (1,860)              | -                   | -                                    | (23,877)            | (39)                | (23,916)       | -                         | (24,354)     |
| Acquisition of subsidiary                                  | -   | -                    | -                   | -                                    | -                   | -                   | -              | 7,446                     | 7,446        |
| Dividends paid to non-controlling interests                | -   | -                    | -                   | -                                    | -                   | -                   | -              | (611)                     | (611)        |
| Balance at 31 December 2014                                | 92,052  | (1,860)              | 3,000               | (3,441)                              | 262,628             | (70,563)            | 191,624        | 30,835                    | 312,651      |

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



## 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)<br>\$'000                          | (Note 24b)<br>\$'000 | (Note 25)<br>\$'000 | (Note 27)<br>\$'000                  | \$'000              | (Note 26)<br>\$'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       |
| <b>Other comprehensive income</b>                          |   |                      |                     |                                      |                     |                     |                |                           |              |
| 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       |
| <b>Contributions by and distributions to owners</b>        |   |                      |                     |                                      |                     |                     |                |                           |              |
| 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.

## Statement of Changes in Equity (continued)

for the year ended 31 December 2014

### Company 2014

|  | Attributable to equity holders of the Company |                      |                     |                     |                | Total equity |
|--|---|----------------------|---------------------|---------------------|----------------|--------------|
|  | Share capital                                 | Treasury shares      | Accumulated profits | Other reserves      | Total reserves |              |
|  | (Note 24a)<br>\$'000                          | (Note 24b)<br>\$'000 | \$'000              | (Note 26)<br>\$'000 | \$'000         | \$'000       |
| Balance at 1 January 2014                    | 90,630  | –                    | 78,692              | 1,005               | 79,697         | 170,327      |
| Profit for the year                          | –   | –                    | 5,853               | –                   | 5,853          | 5,853        |
| <b>Other comprehensive income</b>            |   |                      |                     |                     |                |              |
| Fair value changes of derivatives            | –   | –                    | –                   | (641)               | (641)          | (641)        |
| Other comprehensive income for the year      | –   | –                    | –                   | (641)               | (641)          | (641)        |
| Total comprehensive income                   | –   | –                    | 5,853               | (641)               | 5,212          | 5,212        |
| Cost of share-based payment (share options)  | –   | –                    | –                   | 366                 | 366            | 366          |
| Issuance of shares under share option scheme | 1,422   | –                    | –                   | (206)               | (206)          | 1,216        |
| Purchase of treasury shares                  | –   | (2,447)              | –                   | –                   | –              | (2,447)      |
| Reissuance of treasury shares                | –   | 587                  | –                   | (199)               | (199)          | 388          |
| Dividends on ordinary shares (Note 34)       | –   | –                    | (23,877)            | –                   | (23,877)       | (23,877)     |
| Balance at 31 December 2014                  | 92,052  | (1,860)              | 60,668              | 325                 | 60,993         | 151,185      |

### Company 2013

|  | Attributable to equity holders of the Company |                      |                     |                     |                | Total equity |
|--|---|----------------------|---------------------|---------------------|----------------|--------------|
|  | Share capital                                 | Treasury shares      | Accumulated profits | Other reserves      | Total reserves |              |
|  | (Note 24a)<br>\$'000                          | (Note 24b)<br>\$'000 | \$'000              | (Note 26)<br>\$'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      |

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 2014

|   | Notes | 2014<br>\$'000 | 2013<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Cash flows from operating activities</b>                           |       |                |                |
| Profit before income tax  |       | 43,523         | 64,404         |
| Adjustments for   |       |                |                |
| Depreciation expenses   | 9     | 25,075         | 19,378         |
| Dividend income from other investments                                | 4     | (582)          | (1,470)        |
| Interest expense, net   |       | 12,656         | 4,409          |
| Loss on disposal of other investments                                 |       | 1              | –              |
| Loss/(gain) on disposal of vessels, property, plant and equipment     | 4     | 81             | (15)           |
| Write-off of property, plant and equipment                            | 4     | 455            | 555            |
| Write-down/(reversal of write-down) of inventories                    | 4     | 590            | (8)            |
| Write-back of impairment in value of other investments                |       | (342)          | (133)          |
| Reversal of provisions  | 20    | –              | (54)           |
| Fair value changes of held for trading investments                    | 4     | –              | 81             |
| Fair value changes of derivatives                                     |       | (214)          | 214            |
| Share-based payment expenses  | 5     | 366            | 249            |
| Share of results of associates  |       | (2,317)        | (2,084)        |
| Foreign exchange differences  |       | (2,487)        | (1,237)        |
| <b>Operating cash flows before working capital changes</b>            |       | 76,805         | 84,289         |
| Increase in trade and other receivables                               |       | (7,390)        | (3,907)        |
| Increase in prepayments   |       | (160)          | (454)          |
| Increase in inventories and work-in-progress                          |       | (9,740)        | (3,089)        |
| (Decrease)/increase in payables, accruals and provisions              |       | (12,392)       | 11,346         |
| Increase/(decrease) in deferred income                                |       | 76             | (752)          |
| <b>Cash flows from operations</b>                                     |       | 47,199         | 87,433         |
| Interest paid   | 6     | (13,016)       | (4,920)        |
| Income tax paid   |       | (9,611)        | (14,224)       |
| Interest received   | 4     | 360            | 511            |
| <b>Net cash flows from operating activities</b>                       |       | 24,932         | 68,800         |
| <b>Cash flows from investing activities</b>                           |       |                |                |
| Acquisition of vessels, property, plant and equipment                 |       | (28,579)       | (30,260)       |
| Acquisition of non-controlling interests                              |       | –              | (100,980)      |
| Acquisition of other investments                                      |       | –              | (312)          |
| Net cash outflow on acquisition of a subsidiary                       |       | (47,364)       | –              |
| Capital refund from other investments                                 |       | 331            | 263            |
| Capital reduction of an associate                                     |       | –              | 481            |
| Proceeds from disposal of property, plant and equipment               |       | 116            | 270            |
| Proceeds from disposal of other investments                           |       | 460            | 14,780         |
| Dividend income from associates                                       |       | 2,194          | 1,973          |
| Dividend income from other investments                                |       | 582            | 1,470          |
| <b>Net cash flows used in investing activities</b>                    |       | (72,260)       | (112,315)      |
| <b>Cash flows from financing activities</b>                           |       |                |                |
| Proceeds from bank borrowings, net                                    |       | 45,629         | 52,038         |
| Proceeds from issuance of share capital                               |       | 1,216          | 1,969          |
| Purchase of treasury shares   | 24(b) | (2,447)        | –              |
| Proceeds from reissuance of treasury shares                           | 24(b) | 388            | 908            |
| Dividends paid to shareholders  | 34    | (23,877)       | (22,364)       |
| Dividends paid to non-controlling interests                           |       | (611)          | (764)          |
| <b>Net cash flows from financing activities</b>                       |       | 20,298         | 31,787         |
| Net decrease in cash and cash equivalents                             |       | (27,030)       | (11,728)       |
| Cash and cash equivalents as at beginning of year                     |       | 79,183         | 90,361         |
| Effects of exchange rate changes on opening cash and cash equivalents |       | 1,735          | 550            |
| <b>Cash and cash equivalents as at end of year</b>                    | 14    | 53,888         | 79,183         |

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 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

### 2.3 Standards issued but not yet effective

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

| Description  | Effective for annual periods<br>beginning on or after |
|--|---|
| Amendments to FRS 19 Defined Benefit Plans: Employee Contributions   | 1 July 2014   |
| Improvements to FRSs (January 2014)  |   |
| (a) Amendments to FRS 102 Share Based Payment  | 1 July 2014   |
| (b) Amendments to FRS 103 Business Combinations  | 1 July 2014   |
| (c) Amendments to FRS 108 Operating Segments   | 1 July 2014   |
| (d) Amendments to FRS 113 Fair Value Measurement   | 1 July 2014   |
| (e) Amendments to FRS 16 Property, Plant and Equipment and FRS 38 Intangible Assets                                    | 1 July 2014   |
| (f) Amendments to FRS 24 Related Party Disclosures   | 1 July 2014   |
| Improvements to FRSs (February 2014)   |   |
| (a) Amendments to FRS 103 Business Combinations  | 1 July 2014   |
| (b) Amendments to FRS 113 Fair Value Measurement   | 1 July 2014   |
| FRS 114 Regulatory Deferral Accounts   | 1 January 2016  |
| Amendments to FRS 27 Equity Method in Separate Financial Statements  | 1 January 2016  |
| Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation                  | 1 January 2016  |
| Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants   | 1 January 2016  |
| Amendments to FRS 111 Accounting for Acquisitions of Interests in Joint Operations                                     | 1 January 2016  |
| Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016  |
| Improvements to FRSs (November 2014)   |   |
| (a) Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations                                 | 1 January 2016  |
| (b) Amendments to FRS 107 Financial Instruments: Disclosures   | 1 January 2016  |
| (c) Amendments to FRS 19 Employee Benefits   | 1 January 2016  |
| (d) Amendments to FRS 34 Interim Financial Reporting   | 1 January 2016  |
| FRS 115 Revenue from Contracts with Customers  | 1 January 2017  |
| FRS 109 Financial Instruments  | 1 January 2018  |



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

#### **FRS115 Revenue from Contracts with Customers**

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

## **2.4 Basis of consolidation and business combinations**

### **(a) Basis of consolidation**

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

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

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

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

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

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when 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.

## Notes to the Financial Statements (continued)

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

#### 2.4 Basis of consolidation and business combinations (continued)

##### (b) Business combinations and goodwill

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

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

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

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

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

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

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

#### 2.5 Transactions with non-controlling interests

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

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

##### (b) Consolidated financial statements

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

**2.7 Vessels, property, plant and equipment**

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

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

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

|   |   |                                |
|---|---|--------------------------------|
| Vessels                                   | – | 12 to 15 years                 |
| Drydocking expenses                       | – | 2.5 years                      |
| Leasehold land (includes land use rights) | – | Over the remaining lease terms |
| Leasehold buildings                       | – | 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 value, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

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

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

**2.9 Subsidiaries**

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

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

## Notes to the Financial Statements (continued)

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

#### 2.10 Associates

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

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

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

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

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

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

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

#### 2.11 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 as the voyages progress.

#### 2.12 Financial assets

##### Initial recognition and measurement

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

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



**Subsequent measurement**

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

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

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

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

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

**(b) Loans and receivables**

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

**(c) Available-for-sale financial assets**

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

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

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

**Derecognition**

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

## Notes to the Financial Statements (continued)

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

#### 2.13 Impairment of financial assets

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

##### (a) Financial assets carried at amortised cost

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

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

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

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

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

##### (b) Available-for-sale financial assets

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

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

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

**2.14 Cash and cash equivalents**

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

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

**2.15 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 incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and after making allowance for damaged, obsolete and slow-moving items.

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

**2.16 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.

**2.17 Financial liabilities****Initial recognition and measurement**

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

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

**Subsequent measurement**

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 include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Separated embedded derivatives are also classified as held for trading.

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.

**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.

## Notes to the Financial Statements (continued)

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

#### 2.18 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.

#### 2.19 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.

##### (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.



**2.20 Leases****(a) As lessee**

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

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

Operating lease payments (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 2.21(e).

**2.21 Revenue**

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

**(a) Sale of goods**

Revenue is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**(b) Rendering of services**

Revenue from rendering of services is recognised upon delivery of services.

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.

## Notes to the Financial Statements (continued)

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

#### 2.22 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 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.

##### (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.

**2.23 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.

**2.24 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.

**2.25 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.

**2.26 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.

## Notes to the Financial Statements (continued)

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

#### 2.27 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 future periods.

##### 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:

##### (a) 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 2014 was \$449,398,000 (2013: \$291,391,000). Management does not expect any significant changes in the expected level of usage that could impact the economic useful lives, the residual values of these assets and the future depreciation charges.

##### (b) 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 2014 were \$5,792,000 (2013: \$8,106,000), \$7,983,000 (2013: \$6,529,000) and \$1,218,000 (2013: \$194,000) respectively.

##### (c) Recoverable amount of vessels, property, plant and equipment

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

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

There was no impairment loss recorded on vessels, property, plant and equipment for the years ended 31 December 2014 and 2013.

##### (d) 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.

##### (e) Impairment of goodwill

As disclosed in Note 13 to the financial statements, the recoverable amounts of the cash generating units, which goodwill has been allocated to, are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 13 to the financial statements.

The carrying amount of goodwill as at 31 December 2014 is \$23,974,000 (2013: \$2,345,000).



**3. Revenue**

|                       | <b>Group</b>   |         |
|-----------------------|----------------|---------|
|                       | <b>2014</b>    | 2013    |
|                       | <b>\$'000</b>  | \$'000  |
| Sale of goods         | <b>656,392</b> | 632,111 |
| Rendering of services | <b>106,805</b> | 95,285  |
|                       | <b>763,197</b> | 727,396 |

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:

|   | <b>Group</b>    |          |
|---|-----------------|----------|
|   | <b>2014</b>     | 2013     |
|   | <b>\$'000</b>   | \$'000   |
| <b>(a) Other income</b>   |                 |          |
| (Loss)/gain on disposal of vessels, property, plant and equipment | <b>(81)</b>     | 15       |
| Dividend income from  |                 |          |
| Held for trading investments                                      | <b>28</b>       | 160      |
| Available-for-sale investments                                    | <b>554</b>      | 1,310    |
| Interest income from loans and receivables                        | <b>360</b>      | 511      |
| Net fair value loss on held for trading investments               | <b>–</b>        | (81)     |
| Others  | <b>2,654</b>    | 2,149    |
|   | <b>3,515</b>    | 4,064    |
| <b>(b) Other expenses</b>   |                 |          |
| Statutory audit fees paid to                                      |                 |          |
| Auditor of the Company  | <b>(241)</b>    | (222)    |
| Other auditors  | <b>(137)</b>    | (91)     |
| Non-audit fees paid to  |                 |          |
| Auditor of the Company  | <b>(5)</b>      | –        |
| Other auditors  | <b>–</b>        | (38)     |
| Foreign exchange (loss)/gain                                      | <b>(645)</b>    | 1,187    |
| Land rental and land usage tax                                    | <b>(11,208)</b> | (10,063) |
| Hire of equipment, maintenance and consumables                    | <b>(24,782)</b> | (22,995) |
| Marketing expenses  | <b>(1,755)</b>  | (1,700)  |
| Insurance expenses  | <b>(1,293)</b>  | (1,189)  |
| Impairment loss on trade receivables                              | <b>(1,353)</b>  | (2,223)  |
| Write-off of property, plant and equipment                        | <b>(455)</b>    | (555)    |
| (Write-down)/reversal of write-down of inventories                | <b>(590)</b>    | 8        |
| Legal fees  | <b>37</b>       | (974)    |
| Utilities   | <b>(5,218)</b>  | (4,908)  |
| Other facilities and office expenses                              | <b>(8,400)</b>  | (9,295)  |
|   | <b>(56,045)</b> | (53,058) |

## Notes to the Financial Statements (continued)

### 5. Staff costs

|  | Group           |                 |
|--|-----------------|-----------------|
|  | 2014<br>\$'000  | 2013<br>\$'000  |
| <b>Staff costs (including executive directors)</b>             |                 |                 |
| Salaries, allowances and bonuses                               | (30,228)        | (27,032)        |
| Central Provident Fund and other retirement contribution plans | (1,722)         | (2,060)         |
| Share-based payment (share options)                            | (366)           | (249)           |
| Other personnel-related expenses                               | (5,840)         | (4,805)         |
|  | <b>(38,156)</b> | <b>(34,146)</b> |

#### 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.

|                                     | 2014                    |           | 2013                    |           |
|-------------------------------------|-------------------------|-----------|-------------------------|-----------|
|                                     | No. of<br>share options | WAEP (\$) | No. of<br>share options | WAEP (\$) |
| Outstanding at beginning of year    | 6,435,000               | 0.75      | 9,022,000               | 0.59      |
| Granted during the year (Note a)    | 2,461,000               | 0.87      | 2,386,000               | 0.99      |
| Exercised during the year (Note b)  | (2,782,500)             | 0.58      | (4,944,000)             | 0.58      |
| Forfeited/lapsed during the year    | —                       | —         | (29,000)                | 0.57      |
| Outstanding at end of year (Note c) | 6,113,500               | 0.88      | 6,435,000               | 0.75      |
| Exercisable at end of year          | 1,885,500               | 0.88      | 2,451,000               | 0.60      |

#### Notes

- (a) The weighted average fair value of options granted during the year was \$0.12 (2013: \$0.18).
- (b) The weighted average share price at the dates of exercise for the options exercised was \$0.96 (2013: \$0.94).
- (c) The range of exercise prices for options outstanding at the end of the year was \$0.47 to \$0.99 (2013: \$0.38 to \$0.99). The weighted average remaining contractual life for these options is 7.5 years (2013: 7.3 years).

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

|   | 2014  | 2013  |
|---|-------|-------|
| Dividend yield (%)                      | 5.95  | 5.10  |
| Expected volatility (%)                 | 31.00 | 33.68 |
| Risk-free interest rate (%)             | 0.38  | 0.27  |
| Average expected life of option (years) | 4.24  | 4.21  |
| Share price (\$)                        | 0.84  | 0.99  |

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**

|  | <b>Group</b>    |                |
|--|-----------------|----------------|
|  | <b>2014</b>     | 2013           |
|  | <b>\$'000</b>   | <b>\$'000</b>  |
| Interest expense on bank loans                             | (12,970)        | (4,867)        |
| Interest expense on advance from non-controlling interests | (46)            | (53)           |
| Others   | (187)           | (543)          |
|  | <b>(13,203)</b> | <b>(5,463)</b> |

**7. Income tax****(a) Major components of income tax expense**

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

|   | <b>Group</b>   |                 |
|---|----------------|-----------------|
|   | <b>2014</b>    | 2013            |
|   | <b>\$'000</b>  | <b>\$'000</b>   |
| <b>Income statement</b>   |                |                 |
| Current income tax  |                |                 |
| Current income taxation   | (8,111)        | (11,337)        |
| Over provision in respect of previous years                                     | 814            | 828             |
| Deferred income tax   |                |                 |
| Movement in temporary differences   | (274)          | (1,149)         |
| Over provision in respect of previous years                                     | 597            | 182             |
| Provision for withholding tax on undistributed earnings of foreign subsidiaries | (753)          | (823)           |
| Income tax expense recognised in the income statement                           | <b>(7,727)</b> | <b>(12,299)</b> |

**(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 2014 and 2013 are as follows:

|   | <b>Group</b>   |                 |
|---|----------------|-----------------|
|   | <b>2014</b>    | 2013            |
|   | <b>\$'000</b>  | <b>\$'000</b>   |
| Accounting profit before income tax   | 43,523         | 64,404          |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | (8,876)        | (13,176)        |
| Adjustments   |                |                 |
| Expenses not allowable for tax purpose  | (1,407)        | (580)           |
| Effect of partial tax exemption   | 446            | 532             |
| Income not subject to taxation  | 525            | 521             |
| Overseas income subject to different tax rate   | 53             | 124             |
| Deferred tax assets not recognised  | (363)          | (32)            |
| Over provision in respect of previous years   | 1,411          | 1,010           |
| Provision for withholding tax on undistributed earnings of foreign subsidiaries           | (753)          | (823)           |
| Benefits from previously unrecognised tax losses  | 1,237          | –               |
| Others  | –              | 125             |
| Income tax expense recognised in the income statement                                     | <b>(7,727)</b> | <b>(12,299)</b> |

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 2014 and 2013:

|   | Group                 |                       |
|---|-----------------------|-----------------------|
|   | 2014<br>\$'000        | 2013<br>\$'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 | 32,403                | 44,599                |
|   | No. of shares<br>'000 | No. of shares<br>'000 |
| Weighted average number of ordinary shares for basic earnings per share computation   | 559,215               | 558,725               |
| Effect of dilution on share options   | 643                   | 1,386                 |
| Weighted average number of ordinary shares for diluted earnings per share computation   | 559,858               | 560,111               |

### 9. Vessels, property, plant and equipment

|   | Group             |                                  |                             |                                  |                                  |  |                           |                 |
|---|-------------------|----------------------------------|-----------------------------|----------------------------------|----------------------------------|--|---------------------------|-----------------|
|   | Vessels<br>\$'000 | Drydocking<br>expenses<br>\$'000 | Leasehold<br>land<br>\$'000 | Leasehold<br>buildings<br>\$'000 | Plant and<br>machinery<br>\$'000 | Construction-<br>in-progress<br>\$'000 | Other<br>assets<br>\$'000 | Total<br>\$'000 |
| <b>Cost</b>                               |                   |                                  |                             |                                  |                                  |  |                           |                 |
| At 1 January 2013                         | 58,467            | 3,492                            | 27,313                      | 137,816                          | 131,552                          | 15,449                                 | 17,557                    | 391,646         |
| Additions                                 | –                 | 1,103                            | 28                          | 332                              | 6,329                            | 20,593                                 | 2,174                     | 30,559          |
| Disposals                                 | –                 | –                                | –                           | (5)                              | (167)                            | –                                      | (831)                     | (1,003)         |
| Write-off                                 | –                 | –                                | –                           | –                                | (1,407)                          | –                                      | (300)                     | (1,707)         |
| Reclassification                          | –                 | –                                | –                           | 12                               | 3,064                            | (3,061)                                | (15)                      | –               |
| Currency re-alignment                     | –                 | –                                | 1,363                       | 7,829                            | 845                              | (25)                                   | (3,421)                   | 6,591           |
| At 31 December 2013 and<br>1 January 2014 | 58,467            | 4,595                            | 28,704                      | 145,984                          | 140,216                          | 32,956                                 | 15,164                    | 426,086         |
| Acquisition of a subsidiary               | –                 | –                                | 46,136                      | 18,330                           | 940                              | 84,453                                 | 4,064                     | 153,923         |
| Additions                                 | –                 | 2,165                            | 101                         | 1,568                            | 12,663                           | 6,265                                  | 7,067                     | 29,829          |
| Disposals                                 | –                 | –                                | –                           | –                                | (790)                            | –                                      | (499)                     | (1,289)         |
| Write-off                                 | –                 | –                                | –                           | (126)                            | (1,272)                          | –                                      | (40)                      | (1,438)         |
| Reclassification                          | –                 | –                                | 4,244                       | 76,707                           | 26,235                           | (118,896)                              | 11,710                    | –               |
| Currency re-alignment                     | –                 | –                                | 2,530                       | 3,844                            | 1,083                            | 3,587                                  | 971                       | 12,015          |
| At 31 December 2014                       | 58,467            | 6,760                            | 81,715                      | 246,307                          | 179,075                          | 8,365                                  | 38,437                    | 619,126         |



|  | Group   |            |           |           |           |               |         |         |
|--|---------|------------|-----------|-----------|-----------|---------------|---------|---------|
|  | Vessels | Drydocking | Leasehold | Leasehold | Plant and | Construction- | Other   | Total   |
|  | \$'000  | expenses   | land      | buildings | machinery | in-progress   | assets  | \$'000  |
|  | \$'000  | \$'000     | \$'000    | \$'000    | \$'000    | \$'000        | \$'000  | \$'000  |
| <b>Accumulated depreciation and impairment</b> |         |            |           |           |           |               |         |         |
| At 1 January 2013                              | 16,674  | 1,932      | 9,308     | 25,493    | 57,348    | –             | 7,250   | 118,005 |
| Depreciation charge for the year               | 4,111   | 1,105      | 538       | 3,362     | 8,212     | –             | 2,050   | 19,378  |
| Disposals                                      | –       | –          | –         | (1)       | (154)     | –             | (593)   | (748)   |
| Write-off                                      | –       | –          | –         | –         | (855)     | –             | (297)   | (1,152) |
| Currency re-alignment                          | –       | –          | 423       | 1,376     | 636       | –             | (3,223) | (788)   |
| At 31 December 2013 and<br>1 January 2014      | 20,785  | 3,037      | 10,269    | 30,230    | 65,187    | –             | 5,187   | 134,695 |
| Acquisition of a subsidiary                    | –       | –          | 3,570     | 4,143     | 344       | –             | 1,571   | 9,628   |
| Depreciation charge for the year               | 4,111   | 1,666      | 1,407     | 4,805     | 10,119    | –             | 2,967   | 25,075  |
| Disposals                                      | –       | –          | –         | –         | (711)     | –             | (381)   | (1,092) |
| Write-off                                      | –       | –          | –         | (58)      | (891)     | –             | (34)    | (983)   |
| Currency re-alignment                          | –       | –          | 355       | 797       | 636       | –             | 617     | 2,405   |
| At 31 December 2014                            | 24,896  | 4,703      | 15,601    | 39,917    | 74,684    | –             | 9,927   | 169,728 |
| <b>Net carrying amount</b>                     |         |            |           |           |           |               |         |         |
| At 31 December 2014                            | 33,571  | 2,057      | 66,114    | 206,390   | 104,391   | 8,365         | 28,510  | 449,398 |
| At 31 December 2013                            | 37,682  | 1,558      | 18,435    | 115,754   | 75,029    | 32,956        | 9,977   | 291,391 |

## Notes to the Financial Statements (continued)

### 9. Vessels, property, plant and equipment (continued)

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 years ended 31 December 2014 and 2013.

|  | <b>Company</b>      |
|--|---------------------|
|  | <b>Other assets</b> |
|  | <b>\$'000</b>       |
| <b>Cost</b>                            |                     |
| At 1 January 2013                      | 1,109               |
| Additions                              | 10                  |
| Disposals                              | (289)               |
|  | <hr/>               |
| At 31 December 2013 and 1 January 2014 | 830                 |
| Additions                              | 216                 |
| Disposals                              | (32)                |
|  | <hr/>               |
| At 31 December 2014                    | 1,014               |
|  | <hr/>               |
| <b>Accumulated depreciation</b>        |                     |
| At 1 January 2013                      | 622                 |
| Depreciation charge for the year       | 145                 |
| Disposals                              | (170)               |
|  | <hr/>               |
| At 31 December 2013 and 1 January 2014 | 597                 |
| Depreciation charge for the year       | 127                 |
| Disposals                              | (32)                |
|  | <hr/>               |
| At 31 December 2014                    | 692                 |
|  | <hr/>               |
| <b>Net carrying amount</b>             |                     |
| At 31 December 2014                    | 322                 |
|  | <hr/>               |
| At 31 December 2013                    | 233                 |
|  | <hr/>               |

**10. Subsidiaries**

|                                 | Company        |                |
|---------------------------------|----------------|----------------|
|                                 | 2014<br>\$'000 | 2013<br>\$'000 |
| Unquoted equity shares, at cost | 26,277         | 26,277         |
| Allowance for impairment        | (2,466)        | (2,466)        |
|                                 | 23,811         | 23,811         |
| Amounts due from subsidiaries   | 200,358        | 184,586        |
| Amounts due to subsidiaries     | (17,949)       | (12,914)       |
|                                 | 182,409        | 171,672        |
| Allowance for impairment        | –              | (709)          |
|                                 | 182,409        | 170,963        |
|                                 | 206,220        | 194,774        |

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

Details of the subsidiaries are as follows:

| Name of subsidiaries<br>(Country of incorporation)              | Principal activities   | Effective shareholding<br>held by the Group |           |
|---|--|---|-----------|
|   |  | 2014<br>%                                   | 2013<br>% |
| (a) Singapore Changshu Development Company Pte Ltd (Singapore)  | Investment holding   | 90  | 90        |
| Pan-United Shipping Pte Ltd (Singapore)                         | Provision of shipping services and trading   | 100   | 100       |
| Pan-United Industries Pte Ltd (Singapore)                       | Trading and supply of refined petroleum products, ready mixed concrete and granite aggregate | 100   | 100       |
| (a) United Cement Pte Ltd (Singapore)                           | Cement silo operator and cement trading and distribution                                     | 100   | 100       |
| P.U. Harmony Pte Ltd (Singapore)                                | Provision of ship chartering services  | 100   | 100       |
| P.U. 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  | 86        |

## Notes to the Financial Statements (continued)

## 10. Subsidiaries (continued)

| Name of subsidiaries<br>(Country of incorporation)                               | Principal activities  | Effective shareholding<br>held by the Group |           |
|--|---|---|-----------|
|  |   | 2014<br>%                                   | 2013<br>% |
| (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 (e)                                      | 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   | 100       |
| (a) Salvus Development Pte Ltd (Singapore)                                       | Investment holding and general trading                              | 100   | 100       |
| (a) PT. Pan-United Concrete (Indonesia)  | Investment holding and general trading                              | 100   | 100       |
| (a) Meridian Maplestar Sdn Bhd (Malaysia)  | General exploration and trading of basic building materials         | 100   | 100       |
| (a) Changshu Changjiang International Port Co., Ltd (People's Republic of China) | Operation of a port and related services                            | 77 (c)                                      | –         |
| (a) Fortis Star Sdn Bhd (Malaysia)   | General exploration and trading of basic building materials         | 100 (d)                                     | –         |

(a) Held by subsidiaries.

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

(c) Acquired during the financial year ended 31 December 2014.

(d) Incorporated during the financial year ended 31 December 2014.

(e) In the process of liquidation during the financial year ended 31 December 2014.

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      | Not required to be audited as the entity is in the process of liquidation during the financial year ended 31 December 2014 |
| PT. Pan-United Concrete | Not required to be audited for the financial year ended 31 December 2014   |



**Interest in subsidiaries with material non-controlling interests (NCI)**

| Name of subsidiaries                            | Principal place of business | Proportion of ownership interest held by NCI | Profit allocated to NCI during the reporting period \$'000 | Accumulated NCI at the end of reporting period \$'000 | Dividends paid to NCI \$'000 |
|---|-----------------------------|--|--|---|------------------------------|
| <b>As at 31 December 2014</b>                   |                             |  |  |   |                              |
| Changshu Xinghua Port Co., Ltd                  | People's Republic of China  | 14%  | 2,233  | 10,303  | 241                          |
| Changshu Changjiang International Port Co., Ltd | People's Republic of China  | 23%  | 412  | 8,697   | –                            |
| <b>As at 31 December 2013</b>                   |                             |  |  |   |                              |
| Changshu Xinghua Port Co., Ltd                  | People's Republic of China  | 14%  | 2,432  | 8,525   | –                            |

**Summarised financial information about subsidiaries with material NCI****Summarised balance sheets**

|                   | Changshu Xinghua Port Co., Ltd |             | Changshu Changjiang International Port Co., Ltd |             |
|-------------------|--------------------------------|-------------|---|-------------|
|                   | 2014 \$'000                    | 2013 \$'000 | 2014 \$'000                                     | 2013 \$'000 |
| Total assets      | 268,289                        | 197,625     | 165,768   | –           |
| Total liabilities | 159,121                        | 100,719     | 88,123  | –           |
| Net assets        | 109,168                        | 96,906      | 77,645  | –           |

**Summarised statement of comprehensive income**

|                                   | Changshu Xinghua Port Co., Ltd |               | Changshu Changjiang International Port Co., Ltd |             |
|-----------------------------------|--------------------------------|---------------|---|-------------|
|                                   | 2014 \$'000                    | 2013 \$'000   | 1.04.2014 to 31.12.2014 \$'000                  | 2013 \$'000 |
| Revenue                           | 69,472                         | 69,014        | 12,376  | –           |
| Profit before income tax          | 20,090                         | 22,209        | 735   | –           |
| Income tax (expense)/credit       | (4,226)                        | (4,868)       | 1,053   | –           |
| Profit after tax                  | 15,864                         | 17,341        | 1,788   | –           |
| Other comprehensive income        | –                              | –             | –   | –           |
| <b>Total comprehensive income</b> | <b>15,864</b>                  | <b>17,341</b> | <b>1,788</b>                                    | <b>–</b>    |

**Other summarised information**

|   | Changshu Xinghua Port Co., Ltd |             | Changshu Changjiang International Port Co., Ltd |             |
|---|--------------------------------|-------------|---|-------------|
|   | 2014 \$'000                    | 2013 \$'000 | 1.04.2014 to 31.12.2014 \$'000                  | 2013 \$'000 |
| Net cash flows from operations                        | 20,234                         | 21,647      | 20,801  | –           |
| Acquisition of vessels, property, plant and equipment | 1,785                          | 1,463       | 230   | –           |

## Notes to the Financial Statements (continued)

### 10. Subsidiaries (continued)

#### Acquisition of a subsidiary

On 24 March 2014, the Group's subsidiary, Changshu Xinghua Port Co., Ltd, completed the acquisition of a 90% equity interest in Changshu Changjiang International Port Co., Ltd (CCIP), a port in the People's Republic of China. Upon completion of the acquisition, CCIP became a subsidiary of the Group.

The Group acquired CCIP in order to strengthen its position as a leading port operator along the Yangtze River in the People's Republic of China and to increase the handling capacity. The acquisition is also expected to reduce costs through economies of scale.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of CCIP's net identifiable assets.

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

|   | <b>Fair value<br/>recognised<br/>on acquisition<br/>\$'000</b> |
|---|--|
| Property, plant and equipment   | 144,295  |
| Trade and other receivables   | 4,694  |
| Inventories   | 30   |
| Cash and cash equivalents   | 41,276   |
|   | <u>190,295</u>   |
| Trade and other payables  | (27,940)   |
| Long term bank loan   | (87,899)   |
|   | <u>(115,839)</u>   |
| Total identifiable net assets at fair value   | 74,456   |
| Non-controlling interest measured at the non-controlling interest's proportionate share of CCIP's net identifiable assets | (7,445)  |
| Provisional goodwill arising from acquisition   | 21,629   |
| Consideration transferred for the acquisition of CCIP   | <u>88,640</u>  |

#### Effect of the acquisition of CCIP on cash flows

|   | <b>\$'000</b> |
|---|---------------|
| Total consideration transferred                 | 88,640        |
| Less cash and cash equivalents of CCIP acquired | (41,276)      |
| Net cash outflow on acquisition                 | <u>47,364</u> |

#### 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:

|   | <b>\$'000</b> |
|---|---------------|
| 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**

|                                    | <b>Group</b>  |               |
|------------------------------------|---------------|---------------|
|                                    | <b>2014</b>   | 2013          |
|                                    | <b>\$'000</b> | <b>\$'000</b> |
| Unquoted equity shares, at cost    | <b>3,172</b>  | 3,172         |
| Share of post-acquisition reserves | <b>1,957</b>  | 1,834         |
| Currency re-alignment              | <b>125</b>    | 90            |
| Carrying amount of investment      | <b>5,254</b>  | 5,096         |

| <b>Name of associates</b>  |   | <b>Percentage of equity interest</b> |          |
|--|---|--------------------------------------|----------|
| <b>(Country of incorporation)</b>  | <b>Principal activities</b>   | <b>2014</b>                          | 2013     |
|  |   | <b>%</b>                             | <b>%</b> |
| (a) Changshu Westerlund Warehousing Co., Ltd<br>(People's Republic of China) | Provision of services to receive, warehouse and distribute forestry products and other related products | <b>25</b>                            | 25       |
| (b) Changshu Xinghua Transportation Co., Ltd<br>(People's Republic of China) | Provision of logistic services  | <b>49</b>                            | 49       |

The associates are held by a subsidiary.

(a) Audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP 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:

|                               | <b>Group</b>  |               |
|-------------------------------|---------------|---------------|
|                               | <b>2014</b>   | 2013          |
|                               | <b>\$'000</b> | <b>\$'000</b> |
| <b>Assets and liabilities</b> |               |               |
| Current assets                | <b>24,538</b> | 19,462        |
| Non-current assets            | <b>8,314</b>  | 8,120         |
| Total assets                  | <b>32,852</b> | 27,582        |
| Current liabilities           | <b>11,079</b> | 5,891         |
| Total liabilities             | <b>11,079</b> | 5,891         |
| <b>Results</b>                |               |               |
| Revenue                       | <b>59,118</b> | 51,540        |
| Profit for the year           | <b>8,946</b>  | 9,141         |

## Notes to the Financial Statements (continued)

### 12. Other investments

|                                       | Group          |                | Company        |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>Non-current</b>                    |                |                |                |                |
| <b>Held for trading investments</b>   |                |                |                |                |
| Quoted equity shares                  | –              | 460            | –              | 11             |
| <b>Available-for-sale investments</b> |                |                |                |                |
| At cost                               |                |                |                |                |
| Unquoted equity investments           | 8,154          | 8,485          | 2,210          | 2,541          |
| Others                                | 330            | 308            | –              | –              |
|                                       | 8,484          | 8,793          | 2,210          | 2,541          |
| Less impairment in value              | (6,581)        | (6,912)        | (2,210)        | (2,541)        |
|                                       | 1,903          | 1,881          | –              | –              |
| Total other investments               | 1,903          | 2,341          | –              | 11             |

### 13. Goodwill

Goodwill amounting to \$2,345,000 and \$21,629,000 arose from the acquisition of equity interests in PT. Pacific Granitama (80%) and Changshu Changjiang International Port Co., Ltd (77%) respectively. As at 31 December 2014, goodwill arising from the acquisition of equity interest in Changshu Changjiang International Port. Co. Ltd remained provisional.

#### Impairment testing of goodwill

For impairment testing purposes, goodwill arising from the acquisition of equity interest in PT. Pacific Granitama has been allocated to the said subsidiary, identified by management as the cash-generating unit. The recoverable amount was determined based on value in use calculations using five years cash flow projection and a growth rate of 0% (2013: 0%) to extrapolate cash flows beyond the five-year period. A pre-tax discount rate of 12% (2013: 12%) was applied to the cash flow projection.

No impairment loss was recognised for the financial years ended 31 December 2014 and 2013.

#### Sensitivity to changes in assumptions

With regards to the assessment of value in use for PT. Pacific Granitama, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

**14. Cash and short-term deposits**

|                              | <b>Group</b>  |               | <b>Company</b> |               |
|------------------------------|---------------|---------------|----------------|---------------|
|                              | <b>2014</b>   | 2013          | <b>2014</b>    | 2013          |
|                              | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Cash at banks                | <b>46,757</b> | 50,486        | <b>15,361</b>  | 19,918        |
| Short-term deposits          | <b>7,131</b>  | 28,697        | <b>5,001</b>   | 7,591         |
| Cash and short-term deposits | <b>53,888</b> | 79,183        | <b>20,362</b>  | 27,509        |

Cash at banks earned interest at the average of 0.25% (2013: 0.20%) 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 0.22% to 0.53% (2013: 0.11% to 0.75%) per annum.

**15. Trade and other receivables**

|  | <b>Group</b>   |               | <b>Company</b> |               |
|--|----------------|---------------|----------------|---------------|
|  | <b>2014</b>    | 2013          | <b>2014</b>    | 2013          |
|  | <b>\$'000</b>  | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| <b>Trade and other receivables (current)</b> |                |               |                |               |
| Trade receivables                            | <b>159,352</b> | 148,876       | –              | –             |
| Amounts due from associates                  | <b>4,630</b>   | 2,100         | –              | –             |
| Amounts due from subsidiaries                | –              | –             | <b>1,429</b>   | 2,306         |
| Refundable deposits                          | <b>1,616</b>   | 1,984         | <b>5</b>       | 10            |
| Sundry receivables                           | <b>3,928</b>   | 4,542         | <b>89</b>      | 124           |
| Total trade and other receivables            | <b>169,526</b> | 157,502       | <b>1,523</b>   | 2,440         |
| Cash and short-term deposits (Note 14)       | <b>53,888</b>  | 79,183        | <b>20,362</b>  | 27,509        |
| Total loans and receivables                  | <b>223,414</b> | 236,685       | <b>21,885</b>  | 29,949        |

**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.



## Notes to the Financial Statements (continued)

### 15. Trade and other receivables (continued)

#### Receivables that are past due but not impaired

The Group has trade receivables amounting to \$105,299,000 (2013: \$79,203,000) 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          |                |
|-----------------------------------|----------------|----------------|
|                                   | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>Trade receivables past due</b> |                |                |
| Less than 30 days                 | 60,485         | 49,553         |
| 30 to 60 days                     | 30,006         | 24,882         |
| 61 to 90 days                     | 7,778          | 3,053          |
| 91 to 120 days                    | 4,028          | 587            |
| More than 120 days                | 3,002          | 1,128          |
|                                   | <b>105,299</b> | <b>79,203</b>  |

#### 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<br>2014<br>\$'000 | 2013<br>\$'000 |
| Trade receivables – nominal amounts   | 4,009                                   | 3,907          |
| Less: Allowance for impairment        | (4,009)                                 | (3,907)        |
|                                       | <b>–</b>                                | <b>–</b>       |
| <b>Movement in allowance accounts</b> |   |                |
| At 1 January                          | 3,907                                   | 1,733          |
| Charge for the year                   | 1,353                                   | 2,223          |
| Written off                           | (1,265)                                 | (62)           |
| Currency re-alignment                 | 14                                      | 13             |
| At 31 December                        | <b>4,009</b>                            | <b>3,907</b>   |

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**

|   | <b>Group</b>   |         |
|---|----------------|---------|
|   | <b>2014</b>    | 2013    |
|   | <b>\$'000</b>  | \$'000  |
| <b>Balance sheet</b>                                  |                |         |
| Raw materials   | <b>14,940</b>  | 11,254  |
| Finished goods  | <b>10,183</b>  | 8,509   |
| Consumables   | <b>7,888</b>   | 4,601   |
|   | <b>33,011</b>  | 24,364  |
| <b>Income statement</b>                               |                |         |
| Inventories recognised as an expense in cost of sales | <b>421,410</b> | 396,858 |

**17. Bank loans**

|                    | <b>Group</b>   |         | <b>Company</b> |        |
|--------------------|----------------|---------|----------------|--------|
|                    | <b>2014</b>    | 2013    | <b>2014</b>    | 2013   |
|                    | <b>\$'000</b>  | \$'000  | <b>\$'000</b>  | \$'000 |
| <b>Current</b>     |                |         |                |        |
| Secured (Note a)   | <b>19,769</b>  | 1,333   | –              | –      |
| Unsecured (Note b) | <b>5,751</b>   | 44,620  | –              | 7,000  |
|                    | <b>25,520</b>  | 45,953  | –              | 7,000  |
| <b>Non-current</b> |                |         |                |        |
| Secured (Note c)   | <b>122,339</b> | –       | –              | –      |
| Unsecured (Note d) | <b>120,156</b> | 81,575  | <b>75,000</b>  | 45,000 |
|                    | <b>242,495</b> | 81,575  | <b>75,000</b>  | 45,000 |
| Total bank loans   | <b>268,015</b> | 127,528 | <b>75,000</b>  | 52,000 |

**Notes**

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

- (a) Details of the current secured bank loans are as follows:
- (i) \$17,522,000 are denominated in Renminbi and bear interest of 6.15% to 6.77% (2013: Nil) per annum.
  - (ii) \$2,247,000 are denominated in Vietnamese Dong and bear interest of 8.00% to 8.50% (2013: 10.00%) per annum.
- (b) Details of the current unsecured bank loans are as follows:
- (i) \$5,751,000 are denominated in Renminbi and bear interest of 6.22% to 6.46% (2013: 5.90% to 6.35%) per annum.
- (c) The non-current secured bank loans of \$122,339,000 are denominated in Renminbi and bear interest of 6.15% to 6.77% (2013: Nil) per annum. The loans are repayable between 2015 and 2017.
- (d) Details of the non-current unsecured bank loans are as follows:
- (i) \$45,156,000 are denominated in Renminbi and bear interest of 6.22% to 6.46% (2013: 6.22% to 6.70%) per annum. The loans are repayable between 2016 and 2020.
  - (ii) \$75,000,000 are denominated in Singapore dollars and bear interest, comprising fixed and variable components, of 1.52% to 3.19% (2013: 1.55%). The variable component was hedged using an interest rate swap (Note 23). The loan is repayable between 2016 and 2018.

## Notes to the Financial Statements (continued)

### 18. Payables and accruals

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>Payables and accruals</b>                          |                |                |                |                |
| Trade payables  | 92,544         | 95,299         | –              | –              |
| Other payables  | 28,662         | 8,998          | 400            | 588            |
| Accruals  | 15,634         | 16,601         | 1,354          | 2,127          |
| Total payables and accruals                           | 136,840        | 120,898        | 1,754          | 2,715          |
| Bank loans (Note 17)                                  | 268,015        | 127,528        | 75,000         | 52,000         |
| Total financial liabilities carried at amortised cost | 404,855        | 248,426        | 76,754         | 54,715         |

#### 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          |                |
|---|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>Income recognisable within 12 months</b> |                |                |
| Voyages-in-progress                         | 3,754          | 3,517          |
| Lease income                                | 183            | 189            |
|   | 3,937          | 3,706          |
| <b>Income recognisable thereafter</b>       |                |                |
| Lease income                                | 1,299          | 1,454          |
|   | 5,236          | 5,160          |

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 right 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**

|  | <b>Land reinstatement cost<br/>\$'000</b> |
|--|---|
| At 1 January 2013                      | 4,358                                     |
| Recognised during the financial year   | 299                                       |
| Utilised                               | (730)                                     |
| Reversed                               | (54)                                      |
| At 31 December 2013 and 1 January 2014 | <u>3,873</u>                              |
| Recognised during the financial year   | 1,250                                     |
| Utilised                               | (301)                                     |
| At 31 December 2014                    | <u>4,822</u>                              |
| Current 2014                           | 1,272                                     |
| Non-current 2014                       | <u>3,550</u>                              |
|  | <u>4,822</u>                              |
| Current 2013                           | 1,023                                     |
| Non-current 2013                       | <u>2,850</u>                              |
|  | <u>3,873</u>                              |

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.

**21. Deferred tax**

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

|  | <b>Group</b>           |                |
|--|------------------------|----------------|
|  | <b>2014<br/>\$'000</b> | 2013<br>\$'000 |
| <b>(a) Deferred tax liabilities</b>  |                        |                |
| Balance at beginning of year   | <b>6,529</b>           | 5,300          |
| Origination and reversal of temporary differences  | <b>701</b>             | 406            |
| Provision for withholding tax on undistributed earnings of foreign subsidiaries                | <b>753</b>             | 823            |
| Balance at end of year   | <u><b>7,983</b></u>    | <u>6,529</u>   |
| <b>The deferred tax liabilities principally arise as a result of</b>                           |                        |                |
| Excess of net book value over tax written down value of vessels, property, plant and equipment | <b>5,728</b>           | 4,948          |
| Provision for withholding tax on undistributed earnings of foreign subsidiaries                | <b>2,255</b>           | 1,581          |
|  | <u><b>7,983</b></u>    | <u>6,529</u>   |
| <b>(b) Deferred tax assets</b>   |                        |                |
| Balance at beginning of year   | <b>194</b>             | 755            |
| Origination and reversal of temporary differences  | <b>1,024</b>           | (561)          |
| Balance at end of year   | <u><b>1,218</b></u>    | <u>194</u>     |
| <b>The deferred tax assets principally arise as a result of</b>                                |                        |                |
| Provisions   | <b>165</b>             | 194            |
| Unutilised tax losses  | <b>1,053</b>           | –              |
|  | <u><b>1,218</b></u>    | <u>194</u>     |

## Notes to the Financial Statements (continued)

### 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 7.50% to 9.50% (2013: 8.50% to 11.50%) per annum.

### 23. Derivatives

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

### 24. Share capital and treasury shares

|   | Group and Company     |        |                       |        |
|---|-----------------------|--------|-----------------------|--------|
|   | 2014                  |        | 2013                  |        |
|   | No. of shares<br>'000 | \$'000 | No. of shares<br>'000 | \$'000 |
| <b>(a) Share capital</b>                    |                       |        |                       |        |
| <b>Issued and fully paid</b>                |                       |        |                       |        |
| At 1 January                                | 559,717               | 90,630 | 556,479               | 88,323 |
| Exercise of employee share options (Note 5) | 2,102                 | 1,422  | 3,238                 | 2,307  |
| At 31 December                              | 561,819               | 92,052 | 559,717               | 90,630 |

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     |         |                       |         |
|--|-----------------------|---------|-----------------------|---------|
|  | 2014                  |         | 2013                  |         |
|  | No. of shares<br>'000 | \$'000  | No. of shares<br>'000 | \$'000  |
| <b>(b) Treasury shares</b>                     |                       |         |                       |         |
| At 1 January                                   | -                     | -       | (1,706)               | (1,054) |
| Acquired during the financial year             | (2,840)               | (2,447) | -                     | -       |
| Reissued for cash                              |                       |         |                       |         |
| On exercise of employee share options (Note 5) | 681                   | 388     | 1,706                 | 908     |
| Transferred from share option reserve          | -                     | 68      | -                     | 175     |
| Loss/(gain) on reissuance of treasury shares   | -                     | 131     | -                     | (29)    |
|  | (2,159)               | (1,860) | 1,706                 | 1,054   |
| At 31 December                                 | (2,159)               | (1,860) | -                     | -       |

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

The Company acquired 2,840,000 (2013: Nil) of ordinary shares in the Company by way of market purchases during the financial year. The total amount paid to acquire the shares was \$2,447,000 (2013: Nil) and this was presented as a component within the shareholders' equity.

The Company reissued 681,000 (2013: 1,706,000) treasury shares pursuant to Scheme 2002 during the current financial year.



**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**

|  | <b>Group</b>    |          | <b>Company</b> |        |
|--|-----------------|----------|----------------|--------|
|  | <b>2014</b>     | 2013     | <b>2014</b>    | 2013   |
|  | <b>\$'000</b>   | \$'000   | <b>\$'000</b>  | \$'000 |
| Employee share option reserve                            | <b>547</b>      | 455      | <b>547</b>     | 455    |
| Gain on reissuance of treasury shares                    | <b>419</b>      | 550      | <b>419</b>     | 550    |
| Hedging reserve  | <b>(641)</b>    | –        | <b>(641)</b>   | –      |
| Premium paid on acquisition of non-controlling interests | <b>(70,888)</b> | (70,888) | <b>–</b>       | –      |
|  | <b>(70,563)</b> | (69,883) | <b>325</b>     | 1,005  |

**(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.

|   | <b>Group and Company</b> |        |
|---|--------------------------|--------|
|   | <b>2014</b>              | 2013   |
|   | <b>\$'000</b>            | \$'000 |
| At 1 January  | <b>455</b>               | 719    |
| Cost of share-based payment (share options)                             | <b>366</b>               | 249    |
| Issuance of shares under share option scheme                            | <b>(206)</b>             | (338)  |
| Reissuance of treasury shares pursuant to share option scheme (Note 24) | <b>(68)</b>              | (175)  |
| At 31 December  | <b>547</b>               | 455    |

**(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.

|  | <b>Group and Company</b> |        |
|--|--------------------------|--------|
|  | <b>2014</b>              | 2013   |
|  | <b>\$'000</b>            | \$'000 |
| At 1 January                                 | <b>550</b>               | 521    |
| (Loss)/gain on reissuance of treasury shares | <b>(131)</b>             | 29     |
| At 31 December                               | <b>419</b>               | 550    |

## Notes to the Financial Statements (continued)

### 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          |                |
|---|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 |
| At 1 January  | (4,577)        | (4,526)        |
| Net effect of exchange differences arising from translation of financial statements of foreign operations | 1,136          | (51)           |
| At 31 December  | (3,441)        | (4,577)        |

### 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          |                |
|---|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 |
| Capital commitments in respect of plant and machinery | 20,605         | 1,691          |

#### (b) Operating lease commitments – As lessee

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

|                                      | Group          |                |
|--------------------------------------|----------------|----------------|
|                                      | 2014<br>\$'000 | 2013<br>\$'000 |
| Within one year                      | 7,562          | 5,111          |
| After one year and within five years | 12,248         | 5,990          |
| More than five years                 | 5,666          | 6,216          |
|                                      | 25,476         | 17,317         |

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 2014 amount to \$9,773,000 (2013: \$8,649,000).

#### (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          |                |
|--------------------------------------|----------------|----------------|
|                                      | 2014<br>\$'000 | 2013<br>\$'000 |
| Within one year                      | 1,633          | 46             |
| After one year and within five years | 1,148          | –              |
|                                      | 2,781          | 46             |

The above balances are amounts in relation to leases on the Group's property. These non-cancellable leases have remaining lease terms of one to three years (2013: one year).

**29. Related party disclosures**

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

**(a) Sale and purchase of goods and services**

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

|   | <b>Group</b>  |               |
|---|---------------|---------------|
|   | <b>2014</b>   | 2013          |
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>Transactions with associates</b>                 |               |               |
| Discharging fee income                              | <b>20,570</b> | 13,131        |
| Wharfage fee income                                 | <b>6,375</b>  | 5,097         |
| Warehousing service income                          | <b>4,398</b>  | 3,233         |
| Management income                                   | <b>118</b>    | 116           |
| Miscellaneous income                                | <b>391</b>    | –             |
| Equipment lease rental expense                      | <b>(7)</b>    | (7)           |
| Miscellaneous expenses                              | <b>(17)</b>   | –             |
| <b>(b) Compensation of key management personnel</b> |               |               |
| Short-term employee benefits                        | <b>5,373</b>  | 4,609         |
| Central Provident Fund contributions                | <b>82</b>     | 84            |
|   | <b>5,455</b>  | 4,693         |
| Comprise amounts paid to                            |               |               |
| Directors of the Company                            | <b>3,466</b>  | 2,580         |
| Other key management personnel                      | <b>1,989</b>  | 2,113         |
|   | <b>5,455</b>  | 4,693         |

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 \$0.87 each and exercisable between 19 November 2015 and 18 November 2019 under Scheme 2002 (Note 5).

## Notes to the Financial Statements (continued)

### 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  |  |  |  |
|------------------------------|----|--|--|--|--|--|--|--|--|
|                              |    | 2014<br>\$'000   |  | 2013<br>\$'000   |  | 2014<br>\$'000   |  | 2013<br>\$'000   |  |
|                              |    | Quoted<br>prices in<br>active<br>markets for<br>identical<br>instruments | Significant<br>other<br>observable<br>inputs | Quoted<br>prices in<br>active<br>markets for<br>identical<br>instruments | Significant<br>other<br>observable<br>inputs | Quoted<br>prices in<br>active<br>markets for<br>identical<br>instruments | Significant<br>other<br>observable<br>inputs | Quoted<br>prices in<br>active<br>markets for<br>identical<br>instruments | Significant<br>other<br>observable<br>inputs |
| Notes                        |    | Level 1  | Level 2                                      | Level 1  | Level 2                                      | Level 1  | Level 2                                      | Level 1  | Level 2                                      |
| <b>Financial assets</b>      |    |  |  |  |  |  |  |  |  |
| Held for trading investments |    |  |  |  |  |  |  |  |  |
| Quoted equity instruments    | 12 | –  | –  | 460  | –  | –  | –  | 11   | –  |
|                              |    | –  | –  | 460  | –  | –  | –  | 11   | –  |
| <b>Financial liabilities</b> |    |  |  |  |  |  |  |  |  |
| Derivatives                  |    |  |  |  |  |  |  |  |  |
| Interest rate swap           | 23 | –  | 641  | –  | 214  | –  | 641  | –  | 214  |
|                              |    | –  | 641  | –  | 214  | –  | 641  | –  | 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 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            |               |                    |               |
|------------------------------------|-------|--------------------|---------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|
|                                    | Notes | 2014<br>\$'000     | Fair<br>value | 2013<br>\$'000     | Fair<br>value | 2014<br>\$'000     | Fair<br>value | 2013<br>\$'000     | Fair<br>value |
|                                    |       | Carrying<br>amount |               | Carrying<br>amount |               | Carrying<br>amount |               | Carrying<br>amount |               |
| <b>Financial assets</b>            |       |                    |               |                    |               |                    |               |                    |               |
| Available-for-sale                 |       |                    |               |                    |               |                    |               |                    |               |
| investments, at cost               | 12    | 1,903              | (i)           | 1,881              | (i)           | –                  | –             | –                  | –             |
| Amounts due from subsidiaries, net | 10    | –                  | –             | –                  | –             | 182,409            | (ii)          | 170,963            | (ii)          |

**(i) 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 do not have any comparable industry peers that are listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose these investments in the foreseeable future.

**(ii) Amounts due from subsidiaries (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.

## Notes to the Financial Statements (continued)

### 31. Financial risk management objectives and policies (continued)

#### (a) Interest rate risk (continued)

##### 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/<br>decrease<br>in basis<br>points | Effect<br>on profit<br>before<br>tax<br>\$'000 |
| <b>2014</b>       |   |  |
| Renminbi          | +100  | (1,908)  |
| Singapore dollars | +100  | (201)  |
| Vietnamese Dong   | +100  | (22)   |
| Renminbi          | -100  | 1,908  |
| Singapore dollars | -100  | 201  |
| Vietnamese Dong   | -100  | 22   |
| <b>2013</b>       |   |  |
| Renminbi          | +100  | (742)  |
| Singapore dollars | +100  | (140)  |
| Vietnamese Dong   | +100  | (13)   |
| Renminbi          | -100  | 742  |
| Singapore dollars | -100  | 140  |
| Vietnamese Dong   | -100  | 13   |

#### (b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, US Dollar (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 \$1,253,000 and \$532,000 for the Group and the Company respectively.

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

##### Sensitivity analysis for foreign currency risk

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

|                                       | Group             |                |
|---------------------------------------|-------------------|----------------|
|                                       | Profit before tax |                |
|                                       | 2014<br>\$'000    | 2013<br>\$'000 |
| SGD/US\$ – strengthened 3% (2013: 3%) | +22               | +57            |
| – weakened 3% (2013: 3%)              | -22               | -57            |
| US\$/SGD – strengthened 3% (2013: 3%) | -50               | +464           |
| – weakened 3% (2013: 3%)              | +50               | -464           |

#### (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          |            |                |            |
|-----------------------------|----------------|------------|----------------|------------|
|                             | 2014           |            | 2013           |            |
|                             | \$'000         | % of total | \$'000         | % of total |
| <b>By business segments</b> |                |            |                |            |
| Basic Building Resources    | 139,381        | 87         | 130,314        | 88         |
| Shipping                    | 896            | 1          | 4,564          | 3          |
| Port                        | 19,075         | 12         | 13,998         | 9          |
|                             | <b>159,352</b> | <b>100</b> | <b>148,876</b> | <b>100</b> |

#### 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 10% (2013: 11%) of the Group's trade receivables. However, the good credit history of these customers reduces the risk to the Group to an acceptable level. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. 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, 10% (2013: 36%) of the Group's loans and borrowings (Note 17) will mature in less than one year.

## Notes to the Financial Statements (continued)

### 31. Financial risk management objectives and policies (continued)

#### (d) Liquidity risk (continued)

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.

|   | 2014                          |                           |                           |                 | 2013                          |                           |                           |                 |
|---|-------------------------------|---------------------------|---------------------------|-----------------|-------------------------------|---------------------------|---------------------------|-----------------|
|   | Less than<br>1 year<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 | Total<br>\$'000 | Less than<br>1 year<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 | Total<br>\$'000 |
| <b>Group</b>  |                               |                           |                           |                 |                               |                           |                           |                 |
| <b>Financial assets</b>                               |                               |                           |                           |                 |                               |                           |                           |                 |
| Other investments                                     | –                             | –                         | 1,903                     | 1,903           | –                             | –                         | 2,341                     | 2,341           |
| Trade and other receivables                           | 169,526                       | –                         | –                         | 169,526         | 157,502                       | –                         | –                         | 157,502         |
| Cash and short-term deposits                          | 53,888                        | –                         | –                         | 53,888          | 79,183                        | –                         | –                         | 79,183          |
| Total undiscounted financial assets                   | 223,414                       | –                         | 1,903                     | 225,317         | 236,685                       | –                         | 2,341                     | 239,026         |
| <b>Financial liabilities</b>                          |                               |                           |                           |                 |                               |                           |                           |                 |
| Payables and accruals                                 | 136,840                       | –                         | –                         | 136,840         | 120,898                       | –                         | –                         | 120,898         |
| Bank loans  | 40,135                        | 251,895                   | 17,050                    | 309,080         | 50,235                        | 87,283                    | –                         | 137,518         |
| Total undiscounted financial liabilities              | 176,975                       | 251,895                   | 17,050                    | 445,920         | 171,133                       | 87,283                    | –                         | 258,416         |
| Total net undiscounted financial assets/(liabilities) | 46,439                        | (251,895)                 | (15,147)                  | (220,603)       | 65,552                        | (87,283)                  | 2,341                     | (19,390)        |
| <b>Company</b>  |                               |                           |                           |                 |                               |                           |                           |                 |
| <b>Financial assets</b>                               |                               |                           |                           |                 |                               |                           |                           |                 |
| Other investments                                     | –                             | –                         | –                         | –               | –                             | –                         | 11                        | 11              |
| Trade and other receivables                           | 1,523                         | –                         | –                         | 1,523           | 2,440                         | –                         | –                         | 2,440           |
| Amount due from subsidiaries (Note 10)                | –                             | –                         | 200,358                   | 200,358         | –                             | –                         | 184,586                   | 184,586         |
| Cash and short-term deposits                          | 20,362                        | –                         | –                         | 20,362          | 27,509                        | –                         | –                         | 27,509          |
| Total undiscounted financial assets                   | 21,885                        | –                         | 200,358                   | 222,243         | 29,949                        | –                         | 184,597                   | 214,546         |
| <b>Financial liabilities</b>                          |                               |                           |                           |                 |                               |                           |                           |                 |
| Payables and accruals                                 | 1,754                         | –                         | –                         | 1,754           | 2,715                         | –                         | –                         | 2,715           |
| Bank loans  | 2,393                         | 80,344                    | –                         | 82,737          | 7,703                         | 47,018                    | –                         | 54,721          |
| Amount due to subsidiaries (Note 10)                  | –                             | –                         | 17,949                    | 17,949          | –                             | –                         | 12,914                    | 12,914          |
| Total undiscounted financial liabilities              | 4,147                         | 80,344                    | 17,949                    | 102,440         | 10,418                        | 47,018                    | 12,914                    | 70,350          |
| Total net undiscounted financial assets/(liabilities) | 17,738                        | (80,344)                  | 182,409                   | 119,803         | 19,531                        | (47,018)                  | 171,683                   | 144,196         |

### 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 2014 and 31 December 2013.

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 2014 and 31 December 2013.

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.

|                   | <b>Group</b>   |         |
|-------------------|----------------|---------|
|                   | <b>2014</b>    | 2013    |
|                   | <b>\$'000</b>  | \$'000  |
| Net debt          | <b>214,127</b> | 48,345  |
| Total equity      | <b>312,651</b> | 293,179 |
| Net gearing ratio | <b>0.68</b>    | 0.16    |

The Group did not breach any gearing covenants during the financial years ended 31 December 2014 and 31 December 2013.

### 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 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

|                                 | <b>Basic Building Resources</b> | <b>Shipping</b> | <b>Port</b>   | <b>Others</b> | <b>Eliminations</b> | <b>Group</b>  |
|---------------------------------|---------------------------------|-----------------|---------------|---------------|---------------------|---------------|
| <b>2014</b>                     | <b>\$'000</b>                   | <b>\$'000</b>   | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>       | <b>\$'000</b> |
| <b>Revenue</b>                  |                                 |                 |               |               |                     |               |
| External sales                  | 612,057                         | 70,201          | 80,939        | –             | –                   | 763,197       |
| Inter-segment sales             | –                               | 10,291          | –             | –             | (10,291)            | –             |
| Total revenue                   | 612,057                         | 80,492          | 80,939        | –             | (10,291)            | 763,197       |
| <b>Results</b>                  |                                 |                 |               |               |                     |               |
| Segment results                 | 37,769                          | 7,624           | 37,019        | (3,475)       | –                   | 78,937        |
| Interest income                 | 83                              | 4               | 218           | 55            | –                   | 360           |
| Depreciation expenses           | (10,010)                        | (5,788)         | (9,019)       | (258)         | –                   | (25,075)      |
| Interest expense                | (200)                           | –               | (11,560)      | (1,256)       | –                   | (13,016)      |
| Share of results of associates  | –                               | –               | 2,317         | –             | –                   | 2,317         |
| Profit/(loss) before income tax | 27,642                          | 1,840           | 18,975        | (4,934)       | –                   | 43,523        |
| Income tax                      | (3,423)                         | (366)           | (3,926)       | (12)          | –                   | (7,727)       |
| Profit/(loss) for the year      | 24,219                          | 1,474           | 15,049        | (4,946)       | –                   | 35,796        |
| <b>Attributable to</b>          |                                 |                 |               |               |                     |               |
| Equity holders of the Company   | 24,185                          | 566             | 12,598        | (4,946)       | –                   | 32,403        |
| Non-controlling interests       | 34                              | 908             | 2,451         | –             | –                   | 3,393         |
|                                 | 24,219                          | 1,474           | 15,049        | (4,946)       | –                   | 35,796        |
| <b>Balance Sheet</b>            |                                 |                 |               |               |                     |               |
| Investments in associates       | –                               | –               | 5,254         | –             | –                   | 5,254         |
| Additions to non-current assets | 24,634                          | 2,171           | 1,553         | 221           | –                   | 28,579        |
| Segment assets                  | 302,883                         | 51,326          | 359,434       | 28,901        | –                   | 742,544       |
| Segment liabilities             | 102,703                         | 9,433           | 241,144       | 76,613        | –                   | 429,893       |

## Notes to the Financial Statements (continued)

### 33. Segment information (continued)

#### (a) Business segments (continued)

| 2013  | Basic Building<br>Resources<br>\$'000 | Shipping<br>\$'000 | Port<br>\$'000 | Others<br>\$'000 | Eliminations<br>\$'000 | Group<br>\$'000 |
|---|---------------------------------------|--------------------|----------------|------------------|------------------------|-----------------|
| <b>Revenue</b>                                  |                                       |                    |                |                  |                        |                 |
| 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         |
| <b>Results</b>                                  |                                       |                    |                |                  |                        |                 |
| 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          |
| <b>Attributable to</b>                          |                                       |                    |                |                  |                        |                 |
| 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          |
| <b>Balance Sheet</b>                            |                                       |                    |                |                  |                        |                 |
| 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         |

#### (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 |                |
|--------------|----------------|----------------|--------------------|----------------|
|              | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000     | 2013<br>\$'000 |
| Singapore    | 811,032        | 813,344        | 132,089            | 130,933        |
| China        | 80,939         | 69,013         | 321,072            | 151,904        |
| Others       | 118,360        | 55,564         | 28,676             | 18,699         |
| Eliminations | (247,134)      | (210,525)      | –                  | –              |
| Total        | 763,197        | 727,396        | 481,837            | 301,536        |

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**

|   | <b>Group and Company</b> |        |
|---|--------------------------|--------|
|   | <b>2014</b>              | 2013   |
|   | <b>\$'000</b>            | \$'000 |
| <b>Declared and paid during the year</b>  |                          |        |
| Dividends on ordinary shares  |                          |        |
| Final exempt (one-tier) dividend for 2013: 2.75 cents (2012: 2.50 cents) per share            | <b>15,450</b>            | 13,974 |
| Interim exempt (one-tier) dividend for 2014: 1.50 cents (2013: 1.50 cents) per share          | <b>8,427</b>             | 8,390  |
|   | <b>23,877</b>            | 22,364 |
| <b>Proposed but not recognised as a liability as at 31 December</b>                           |                          |        |
| Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting |                          |        |
| Final exempt (one-tier) dividend for 2014: 2.75 cents (2013: 2.75 cents) per share            | <b>15,391</b>            | 15,395 |
| <b>Dividend per share (in cents)</b>  | <b>4.25</b>              | 4.25   |

**35. Authorisation of financial statements**

The financial statements of Pan-United Corporation Ltd for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 19 March 2015.

# Statistics of Shareholdings

## as at 5 March 2015

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

| Size of shareholdings | No. of shareholders | %      | No. of shares | %      |
|-----------------------|---------------------|--------|---------------|--------|
| 1 – 99                | 8                   | 0.06   | 160           | 0.00   |
| 100 – 1,000           | 4,152               | 34.27  | 4,142,445     | 0.74   |
| 1,001 – 10,000        | 6,495               | 53.61  | 30,359,369    | 5.42   |
| 10,001 – 1,000,000    | 1,443               | 11.91  | 67,252,425    | 12.02  |
| 1,000,001 and above   | 18                  | 0.15   | 457,905,261   | 81.82  |
|                       | 12,116              | 100.00 | 559,659,660   | 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     | 60.14 |
| 2. Patrick Ng Bee Soon       | 25,828,030   | 4.61 | 318,600,000     | 56.93 |
| 3. Ng Bee Bee                | –  | –    | 326,750,002     | 58.38 |
| 4. Jane Kimberly Ng Bee Kiok | –  | –    | 326,700,002     | 58.37 |

### 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 2015, approximately 25.50% 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   | 175,344,600   | 31.33 |
| 2. Henry Ng Han Whatt, Patrick Ng Bee Soon, Jane Kimberly Ng Bee Kiok and Ng Bee Bee | 153,000,000   | 27.34 |
| 3. United Overseas Bank Nominees (Pte) Limited                                       | 40,896,000    | 7.31  |
| 4. DBS Nominees (Private) Limited  | 25,663,830    | 4.59  |
| 5. Patrick Ng Bee Soon   | 25,828,030    | 4.61  |
| 6. HSBC (Singapore) Nominees Pte Ltd   | 14,165,917    | 2.53  |
| 7. Henry Ng Han Whatt  | 5,400,000     | 0.96  |
| 8. Phillip Securities Pte Ltd  | 2,779,279     | 0.50  |
| 9. Raffles Nominees (Pte) Limited  | 2,074,600     | 0.37  |
| 10. Lee Cheong Seng  | 2,000,000     | 0.36  |
| 11. Edward Kor Tor Khoon   | 1,610,000     | 0.29  |
| 12. McGregor Annabel Margaret  | 1,480,000     | 0.26  |
| 13. Tan Wai See  | 1,358,000     | 0.24  |
| 14. Lee Boon Wah   | 1,325,000     | 0.24  |
| 15. Ch'ng Jit Koon   | 1,298,000     | 0.23  |
| 16. Phua Bah Lee   | 1,290,000     | 0.23  |
| 17. OCBC Nominees Singapore Private Limited  | 1,249,005     | 0.22  |
| 18. Merrill Lynch (Singapore) Pte Ltd  | 1,143,000     | 0.20  |
| 19. Wan Fook Weng  | 1,000,000     | 0.18  |
| 20. UOB Kay Hian Private Limited   | 935,000       | 0.17  |
|  | 459,840,261   | 82.16 |

\* Ordinary shares purchased and held as treasury shares by the Company will have no voting rights. As at 5 March 2015, the Company has 2,159,000 shares held as treasury shares and this represents approximately 0.39% against the total number of issued shares excluding treasury shares as at that date.

\*\* The percentage is calculated based on the number of issued ordinary shares of the Company as at 5 March 2015, excluding 2,159,000 shares held as treasury shares as at that date.



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 23rd Annual General Meeting of Pan-United Corporation Ltd (Company) will be held at Ficus Ballroom, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Thursday, 23 April 2015 at 11.00 a.m. for the following purposes:

## ORDINARY BUSINESS

- |   |   |
|---|---|
| 1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2014, together with the Auditor's Report thereon.   | <b>Resolution 1</b>   |
| 2. To declare a final dividend of \$0.0275 per ordinary share (one-tier tax exempt) for the financial year ended 31 December 2014.  | <b>Resolution 2</b>   |
| 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:<br>3.1 Mr Lee Cheong Seng<br>3.2 Ms Jane Kimberly Ng Bee Kiok<br>[See Explanatory Note 1a] | <b>Resolution 3</b><br><b>Resolution 4</b>                        |
| 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):<br>4.1 Mr Ch'ng Jit Koon<br>4.2 Mr Cecil Vivian Richard Wong<br>4.3 Mr Phua Bah Lee<br>[See Explanatory Note 1b]                     | <b>Resolution 5</b><br><b>Resolution 6</b><br><b>Resolution 7</b> |
| 5. To approve the payment of directors' fees of \$520,000 for the financial year ending 31 December 2015 (2014: \$482,500).   | <b>Resolution 8</b>   |
| 6. To re-appoint Ernst & Young LLP as auditor of the Company for the financial year ending 31 December 2015 and to authorise the directors to fix their remuneration.   | <b>Resolution 9</b>   |

## 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 Annual General Meeting of the Company or the date by which the next Annual General Meeting 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 the authority conferred on the directors of the Company pursuant to the Share Buyback Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:
  - i the date on which the next Annual General Meeting 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 by the Company in a general meeting;

c in this Resolution:

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

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

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

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

- i in the case of a Market Purchase, 105 per centum (105%) of the Average Closing Market Price; and
- ii in the case of an Off-Market Purchase, pursuant to an equal access scheme, 120 per centum (120%) of the Highest Last Dealt Price;

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

By Order of the Board

**Lynn Wan Tiew Leng**  
Company Secretary

Singapore  
31 March 2015

## 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 Lee Cheong Seng and Ms Jane Kimberly Ng Bee Kiok in addition to the re-appointment of Messrs Ch'ng Jit Koon, Cecil Vivian Richard Wong and Phua Bah Lee as directors of the Company:
  - 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 Lee Cheong Seng (Non-Executive Director) and Ms Jane Kimberly Ng Bee Kiok (Executive Director) have consented to their re-election as directors of the Company pursuant to this Article. Upon his re-election, Mr Lee Cheong Seng will remain as a member of the Nominating Committee.
  - b Section 153(6) of the Companies Act provides that a person of over the age of 70 year's may, by an ordinary resolution passed at an Annual General Meeting 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 Annual General Meeting of the company. Section 153(6) of the Companies Act will be repealed when the Companies (Amendment) Act 2014 comes into force.

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 Annual General Meeting of the Company provided that if Section 153(6) of the Companies Act is repealed and shall cease to be in force prior to the next Annual General Meeting of the Company and unless they are subject to any requirement under any written law or applicable regulatory requirement which permits them to hold office only until the next Annual General Meeting of the Company, they shall, subject to retirement by rotation in accordance with the Company's Articles of Association, hold office beyond the next Annual General Meeting 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 Annual General Meeting 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 Annual General Meeting 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 Annual General Meeting.

### Personal data privacy

By submitting an instrument appointing a proxy(ies) to attend and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.







**Pan-United Corporation Ltd**

(Company Registration No. 199106524G)

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