PanUnited

PAN-UNITED CORPORATION LTD
ANNUAL REPORT 2020

CONTENTS

Pan-United Corporation Ltd (Pan-United) is an Asia-based technology company catalysing change in the concrete and logistics space. Listed on the SGX Mainboard (SGX: P52), we are at the global forefront of concrete technology. Through extensive R&D, Pan-United has created over 300 highly specialised low-carbon footprint concrete solutions for all built environment needs. These solutions are developed in collaboration with our customers to their unique present and future specifications. We take pride in making concrete greener and stronger to decarbonise cities; in working to lower our carbon footprint and to ensure a safer world for future generations.

*"**Producing concrete* is like cooking.** You cook the dish to the customer's desires, and each customer has discerning tastes. Success depends on the quality and source of ingredients, and the skill and consistency of the chef. It's the same with concrete. We create different recipes and calibrate them to perfection. How you mix the raw materials, deliver to site, plus the producer's experience and know-how – all these show up in the consistency and quality of the concrete.*

Running a ready-mix concrete company is like running a restaurant where you cook the dish to order. So too, with our concrete. It's mixed just-in-time to all sorts of specifications. Organic? No problem, we use specially sourced recycled materials. Low-carb? Sure, we have low-carbon green concrete – for simple or complex 'palates'.

The beauty of eating your favourite dish at your favourite restaurant is knowing you'll get the same well-loved experience each time, every time. Sourced from the finest ingredients, cooked by master chefs, and served on time. That's exactly the same peace-of-mind experience you'll have with Pan-United – quality, consistency and excellent service."

May Ng
Chief Executive Officer

** Concrete comprises cement, aggregates, sand, admixtures and water.*

For the first time, the Pan-United e-book of our employees' favourite recipes. To view, please click http://bit.ly/PanURecipeBook

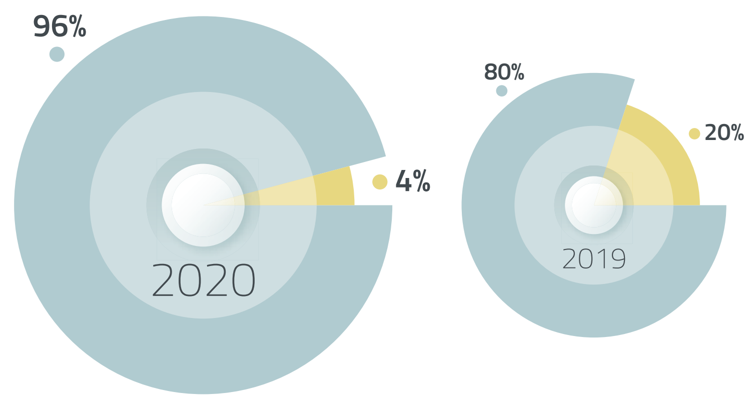
Group Financial Summary

	2020 $'000	2019 $'000	+/(-) %
Financial Results			
Revenue	405,024	768,258	(47)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	27,957	53,635	(48)
Profit before taxation	1,734	26,179	(93)
Profit after taxation	1,514	20,929	(93)
Profit attributable to equity holders of the Company (PATMI)	1,036	20,511	(95)
Financial Position			
Shareholders' funds	194,689	202,316	(4)
Non-controlling interests	8,311	8,261	1
Total equity	203,000	210,577	(4)
Total assets	402,313	442,103	(9)
Total liabilities	199,313	231,526	(14)
Per share data			
Basic earnings (in cents) (note 1)			
Total attributable to equity holders of the Company	0.15	2.93	(95)
Diluted earnings (in cents) (note 2)			
Total attributable to equity holders of the Company	0.15	2.93	(95)
Net asset value as at 31 December (in cents)	27.70	28.90	(4)
Return on shareholders' funds (note 3)	0.5%	10.4%	(95)
Return on property, plant and equipment (note 3)	0.8%	11.3%	(93)
Net gearing ratio	0.18	0.38	(53)

Notes
1. The calculation for basic earnings per share is based on 701,653,825 (2019: 700,885,825) weighted average number of shares in issue during the year.
2. The calculation for diluted earnings per share is based on 701,767,825 (2019: 700,982,995) weighted average number of shares plus dilutive potential shares from share options during the year.
3. In calculating return on shareholders' funds and return on property, plant and equipment, the average basis has been used.

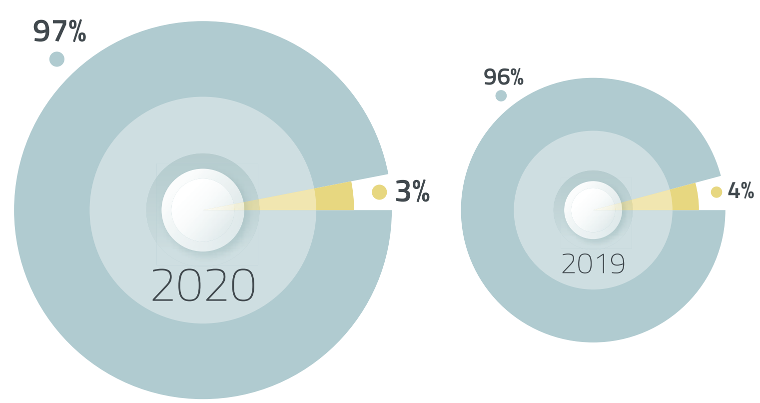
Segmental Information

Revenue



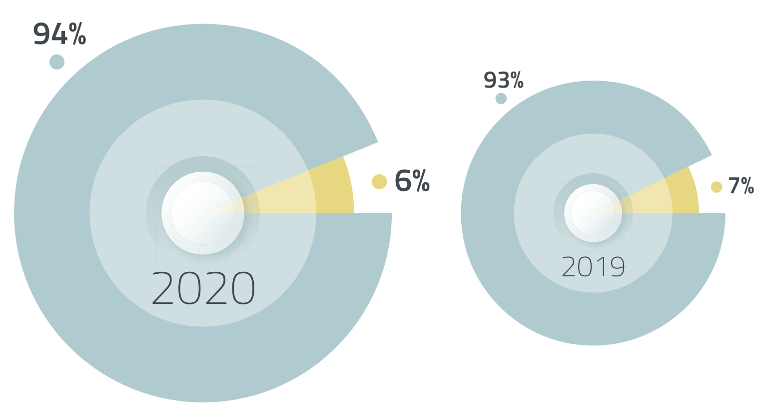
Revenue ($'m)	2020	2019
Concrete & Cement	388.11	617.33
Trading & Shipping	16.91	150.93
Total	**405.02**	**768.26**

EBITDA
(excluding Others)



EBITDA ($'m)	2020	2019
Concrete & Cement	32.35	58.27
Trading & Shipping	0.93	2.48
Others	(5.32)	(7.11)
Total	**27.96**	**53.64**

PATMI
(excluding Others)



PATMI ($'m)	2020	2019
Concrete & Cement	6.96	26.00
Trading & Shipping	0.48	1.96
Others	(6.40)	(7.45)
Total	**1.04**	**20.51**

Chairman's Message

2020 was the year our people proved their true mettle in facing up to adversity with tenacity and resolve.

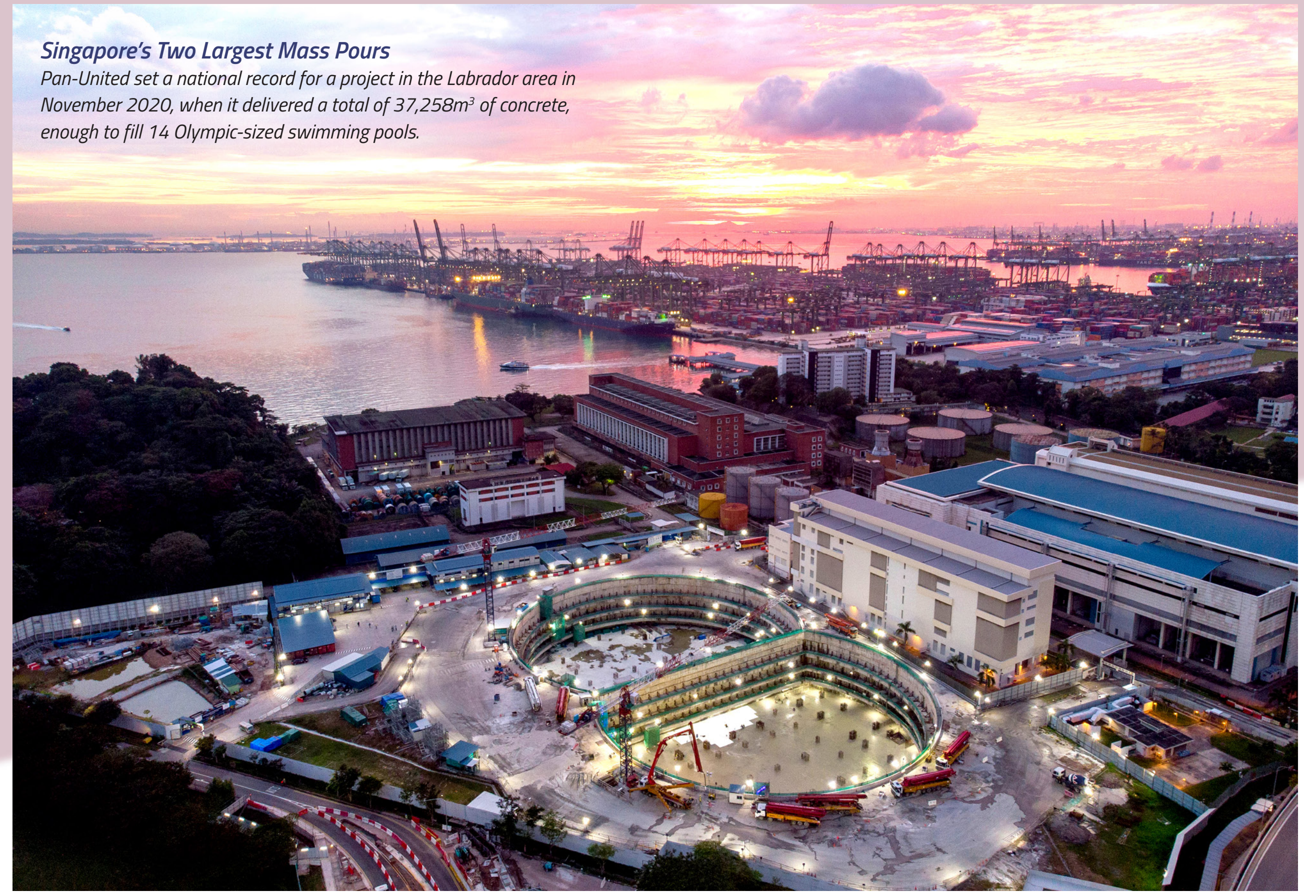
The COVID-19 pandemic has had an unprecedented impact on global economic activity.

In Singapore, the construction industry was put on hold during the circuit breaker, creating a ripple effect for several months. In Ho Chi Minh City, Vietnam, construction activity slowed as a result of social isolation measures. In Malaysia, certain types of construction projects were halted during the various phases of the Movement Control Order.

However, behind every crisis lies an opportunity. For Pan-United, years of innovating concrete solutions and building our technology offerings prepared us well in dealing with the aftermath of COVID-19.

Despite the disruptions to construction work in Singapore, Vietnam and Malaysia, we managed to deliver a profit after tax and non-controlling interests (PATMI) of $1.0 million for the full year ended 31 December 2020. Total revenue came in at $405.0 million, largely from the first and last quarter of the year. During the year, we took active steps to maintain our strong balance sheet, deferring all non-essential capital investments and stopping all substantial discretionary expenditures.

The Board is pleased to recommend a final ordinary dividend per share of 0.8 Singapore cents ($0.008) for FY2020 to be approved by shareholders at the next Annual General Meeting.



Singapore's Two Largest Mass Pours
Pan-United set a national record for a project in the Labrador area in November 2020, when it delivered a total of 37,258m³ of concrete, enough to fill 14 Olympic-sized swimming pools.

RESILIENCE AMID A CHALLENGING YEAR

Delivering value to our customers, partners and shareholders remain as Pan-United's overarching goals. 2020 was no exception in achieving high sustainability standards in our products, services and operations.

We transitioned smoothly from physical interactions to 'contactless' touchpoints using our technology-enabled solutions. At the start of the pandemic, the Group was able to expeditiously implement safe distancing measures, with the majority of our operations staff working remotely away from our concrete batching plants.

Pan-United created PanU NewGen SCC, a cost-effective new generation self-compacting concrete that flows and eliminates the need for workers to manually compact the concrete into place. Workers can keep a safe distance from each other; contractors enjoy improved productivity by 75% and reduced casting time by 40%, resulting in faster construction completion.

We also equipped our mixer trucks with AiM (Artificial Intelligence Mixing), an in-transit concrete mixing system, and pioneered an automated 3-step virtual quality testing process to reduce the number of physical touchpoints at the worksites and improve all-round safety.

New contactless processes such as e-billing were added to our AiR (Artificial Intelligence for Ready-Mix Concrete) platform to help our customers who are working from home. With the automation and digitalisation of back-end processes, our customers enjoy a hassle-free delivery and invoicing experience, and greater operational efficiency.

The Group's robust concrete and logistics capabilities were put to the test in the last quarter, when Pan-United made history by achieving Singapore's largest two continuous ready-mix concrete pours, amounting to a total volume of 37,258 m^3 of concrete – enough to fill 14 Olympic-sized swimming pools. The massive volume of a special flowing self-compacting concrete mix was delivered continuously to build the foundation of a project in Labrador, at the pace of one truckload of concrete every 60 seconds, while complying with strict COVID-Safe restrictions at worksites and completing the two pours ahead of schedule.

Early in the year, Pan-United commenced exploration on the use of our intelligent optimisation AiR platform for Eugene Corporation, South Korea's largest ready-mix concrete company. The proven AiR platform is just one of several successful outcomes of Pan-United's enduring innovation journey, predisposing the Group towards adapting to the pandemic.

Regionally, we have continued to preserve our market lead in Ho Chi Minh City, Vietnam and secured more projects in Malaysia.

Focus on sustainability
In 2020, Pan-United continued to focus on lowering its carbon footprint by creating more low-carbon concrete products and adopting new embodied carbon reduction technologies. Jewel Changi Airport (above) uses green concrete from Pan-United.

RAISING THE BAR ON SUSTAINABILITY

The Singapore construction sector is expected to recover year-on-year in 2021, but remain below pre-COVID-19 levels[1]. Business has picked up and we expect to be busier well into 2021. The Group continues to monitor the situation on the ground and stands ready to fully ramp up concrete production. Our financial performance expects to be better than 2020 and we will continue to monitor our costs and overheads.

Our utmost priority is the safety of our employees, customers, business partners and the wider community. We will continue to facilitate safe construction work in line with safe distancing measures.

As we progress into the next decade, we aim to continue blazing the trail in minimising the construction sector's contribution to energy use and waste, and to reduce embodied carbon emissions in the built industries. Pan-United has been widely acknowledged for our leadership in developing green building concrete, which utilise recycled aggregates, and has successfully injected carbon dioxide emitted by industrial emitters into concrete using CarbonCure™ technology.

However, we are not stopping there.

In July 2020, Pan-United joined forces with three other industry leaders – Keppel Data Centres, Chevron and Surbana Jurong – under the auspices of the National Research Foundation to develop the first end-to-end decarbonisation process in Singapore, through a highly integrated and energy-efficient Carbon Capture, Utilisation & Sequestration (CCUS) system. This collaboration is part of Pan-United's efforts to lend our industry-leading research and development capabilities to innovate commercially viable clean technologies that can decarbonise the built environment.

As we ride out these challenging and uncertain times, the Group will continue to focus our efforts on expanding our digital and innovation capabilities, as well as developing low carbon footprint concrete solutions, which will help take us to greater heights regionally, globally and move Singapore closer to its net-zero-carbon emissions goal.

[1] https://www.businesstimes.com.sg/government-economy/sharp-rebound-in-2021-wont-take-economy-to-pre-covid-levels-mti

"As we ride out these challenging and uncertain times, the Group will continue to focus our efforts on expanding our digital and innovation capabilities, as well as developing low-carbon footprint concrete solutions, which will help take us to greater heights regionally, globally and move Singapore closer to its net-zero-carbon emissions goal."

WITH GRATITUDE

Firstly, I would like to thank my predecessor Mr Ch'ng Jit Koon for his longstanding contributions and unparalleled guidance as Chairman of Pan-United for more than two decades. Under his leadership, the Group has grown into the leading concrete solutions provider in Singapore and Ho Chi Minh City, Vietnam. I would also like to thank Mr Cecil Wong for his many years of wise counsel, especially in the Audit Committee of the Board.

I would also like to welcome Ms Jane Ng who has rejoined our Board on 22 March 2021.

It has been almost a year since I stepped into my new role as Chairman, having served as a Board Director since 2005. I am often reminded of the vast talents and driven spirit of the Pan-United family of employees. The Group remained agile during the pandemic, responding swiftly to evolving market conditions, while training and upskilling staff to future-proof the business.

Our staff admirably stepped up without hesitation where needed, whether to brainstorm quick responses and act decisively in the face of the pandemic, or novelly reveal their talents to contribute to a delightful employee recipe e-book that displays the cultural diversity of our workforce.

On behalf of the Board, I would like to extend our deepest appreciation to our customers, partners and shareholders for their unwavering support, and our gratitude to the entire Pan-United family for their gutsy dedication and hard work during these unprecedented times.

Moving forward, the Group remains resilient and agile in the face of an uncertain operating environment. We have weathered the COVID-19 storm, emerging stronger as a competitive industry leader in the built environment sector. Our extensive in-house research and development, and well-developed digital capabilities have paved the way for us to raise the industry bar on operational excellence and quality. We are resolute in our goal to become the global leader for innovative solutions to reduce the carbon footprint of concrete.

The Group will continue to imagine and capture new possibilities in the concrete and logistics space in Singapore and in the region, for the benefit of our stakeholders, especially our customers, partners and shareholders.

Yours sincerely,

Tay Siew Choon
Chairman

PanU Illuma Trophy
Concrete trophies were specially designed and produced in-house for the recipients of the Patron of Heritage Awards 2019, organised by the National Heritage Board.

Corporate Structure

PAN-UNITED CORPORATION LTD

- **CONCRETE & CEMENT**
  - Pan-United Industries Pte Ltd **100%**
    - Pan-United Concrete Pte Ltd **100%**
    - Raffles Concrete Pte Ltd **100%**
    - Fortis Star Sdn Bhd **100%**
    - Fico Pan-United Concrete Joint Stock Company **55%**
    - **100%** United Cement Pte Ltd
    - **49%** Raffles Cement Pte Ltd
    - **100%** Meridian Maplestar Sdn Bhd
    - **49%** PT. Pacific Granitama
- **TECHNOLOGY**
  - Pan-United Technologies Pte Ltd **100%**
    - **97%** GoTruck Pte Ltd
  - AiR Digital Solutions Pte Ltd **100%**
- **TRADING**
  - PanU Harmony Pte Ltd **100%**
    - **51%** United Bulk Shipping Pte Ltd

Financial Calendar

Date	Year	Month	Event
31	2020	DECEMBER	Financial year end
09	2021	FEBRUARY	Announcement of 2020 results
30	2021	APRIL	Annual General Meeting
	2021	MAY	Payment of final dividend
28	2021	AUGUST	Announcement of 2021 half-year results

Corporate Information

Board of Directors

Chairman, Independent Director
Tay Siew Choon

Deputy Chairman, Non-Executive Director
Patrick Ng Bee Soon

Chief Executive Officer
Ng Bee Bee

Non-Executive Director
Jane Kimberly Ng Bee Kiok

Independent Directors
Cecil Vivian Richard Wong
Soh Ee Beng
Fong Yue Kwong

Company Secretary
Kevin Cho

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
Ong Beng Lee, Ken (w.e.f. financial year 2020)

Board Of Directors

Tay Siew Choon
Chairman
Independent Director

Mr Tay Siew Choon has been the Chairman of Pan-United Corporation Ltd since June 2020. He has been an Independent Director of the Company since February 2005. Mr Tay is also the Chairman of GoTruck Pte Ltd, a subsidiary of the Company, since 2018.

Mr Tay has held top echelon management positions in several listed companies and has extensive local and overseas experience. He was Managing Director and Chief Operating Officer of Singapore Technologies Pte Ltd until March 2004. Mr Tay is currently the Deputy Chairman of TauRx Pharmaceuticals Ltd and a director of TauRx Therapeutics Ltd, Straco Corporation Ltd and WisTa Laboratories Ltd.

Mr Tay holds a Bachelor of Engineering (Electrical) Honours degree as a Colombo Plan scholar from Auckland University, New Zealand and a Master of Science in Systems Engineering from the University of Singapore (now National University of Singapore).

Patrick Ng Bee Soon
Deputy Chairman
Non-executive Director

Mr Patrick Ng has been the Deputy Chairman of Pan-United Corporation Ltd since March 2011.

He was CEO of the Group from January 2004 to February 2011. He also serves as a director of several subsidiaries in the Group.

Mr Ng relinquished his executive position as Deputy Chairman of the Company on 5 February 2018. He continues to serve on the Board of the Company in a non-executive capacity with the same title of Deputy Chairman.

Mr Ng is a non-executive director of Xinghua Port Holdings Ltd.

Mr Ng has a Bachelor of Science degree from the University of Oregon, United States of America.

Ng Bee Bee
Chief Executive Officer

Ms Ng Bee Bee has been the CEO of Pan-United Corporation Ltd since March 2011.

She was previously the Executive Director of the Group from January 2004 to February 2011. Ms Ng sits on the boards of several subsidiaries in the Group. She is the Chairman of Mercatus Co-operative Ltd and a director of NTUC Enterprise Co-operative Ltd. She is also an independent non-executive director of Singapore Technologies Engineering Ltd.

Ms Ng holds a Bachelor of Arts (Honours) degree from the University of Western Ontario, Canada.

Jane Kimberly Ng Bee Kiok
Non-Executive Director

Ms Jane Ng was appointed as a Non-Executive Director of Pan-United Corporation Ltd on 22 March 2021.

Ms Ng was previously an Executive Director of the Company from March 2009 to February 2018. She started her career in the PUC Group in 1988 and held various executive positions, including Group Financial Controller from 1997 to 2002 and General Manager (Special Projects) from 2002 to 2004. She left the Company in 2004 to become an Executive Director of Pan-United Marine Limited.

In connection with the demerger of Xinghua Port Holdings Ltd (Xinghua Port) as a separate listed company in February 2018 on The Stock Exchange of Hong Kong Limited, she relinquished her position in the Company and became an Executive Director of Xinghua Port until September 2020.

Ms Ng graduated *summa cum laude* with a Bachelor of Science degree from the University of Oregon, United States of America.

Cecil Vivian Richard Wong
Independent Director

Mr Cecil Wong has been an Independent Director of Pan-United Corporation Ltd since October 1992.

He is also a director of Chartered Asset Management Pte Ltd and John K Young Pte Ltd. Mr Wong was previously a director of Venture Corporation Ltd.

Mr Wong holds a Bachelor of Arts degree from the University of Cambridge. He is a member of the Institute of Singapore Chartered Accountants.

Soh Ee Beng
Independent Director

Mr Soh Ee Beng has been an Independent Director of Pan-United Corporation Ltd since December 2018.

Mr Soh has over 20 years of experience in investment banking, including mergers and acquisitions, initial public offerings, equity placements and equity-linked transactions. He has advised on both public and private transactions across Asia.

Mr Soh has worked at several leading financial institutions. He was the Managing Director and Head of Advisory for South East Asia at The Hongkong and Shanghai Banking Corporation Ltd. Prior to that, Mr Soh was the Managing Director and Head of Investment Banking of N M Rothschild & Sons (Singapore) Ltd, the CEO and Head of Investment Banking of BNP Paribas Peregrine (Singapore) Ltd, and the Director of Corporate Finance of ING Bank N.V..

Mr Soh was previously an independent non-executive director of Xinghua Port Holdings Ltd.

He has a Bachelor of Accountancy degree with First Class Honours from Nanyang Technological University, Singapore.

Fong Yue Kwong
Independent Director

Mr Fong Yue Kwong has been an Independent Director of Pan-United Corporation Ltd since March 2020.

He has more than 40 years of experience in the port, marine supply base and logistics industries in Singapore and Asia, particularly China.

Mr Fong joined JTC Corporation in 1978 and rose through the ranks to become the first president of the corporatised Jurong Port in 2001. After he retired from JTC in 2011, Mr Fong served as Advisor to Pacific International Lines and Keppel Logistics. His recent past directorships included Chiwan Development (Singapore) Pte Ltd and Changshu Xinghua Port Co. Ltd.

Mr Fong has been a Board Member of Kwong Wai Shiu Hospital since 2013.

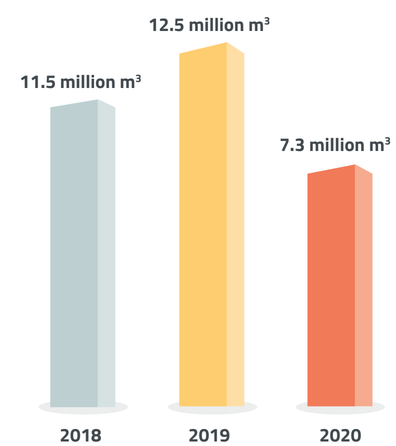
He holds a Bachelor of Engineering (Mechanical) degree from the University of Canterbury, New Zealand and a Master in Business Administration from the University of East Asia, Macau.

Performance Review

Innovating For The Future

Years of innovation and research have fortified Pan-United's resilience and eased the impact of the pandemic. With a broad suite of over 300 highly specialised low-carbon footprint concrete solutions and a track record of managing large-scale projects with exacting structural demands, Pan-United was able to continue executing its pipeline of critical infrastructure projects amidst the lockdown.

Demand for Ready-Mix Concrete in Singapore



Source: Building and Construction Authority.

The Building and Construction Authority initially projected construction demand to be between $28 billion and $33 billion for 2020. Following the onset of the pandemic, the construction demand for 2020 was $21 billion, 37% down from $33.5 billion in 2019.

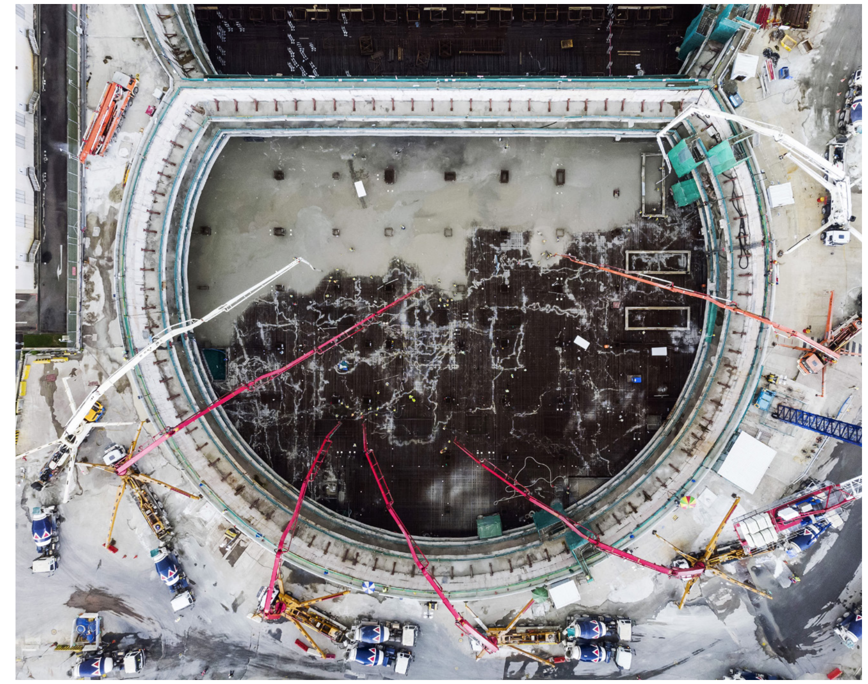
A countrywide suspension of construction works ensued during the circuit breaker period. As an essential supplier, Pan-United continued operating albeit at a reduced scale, supplying ready-mix concrete to selected critical infrastructural projects, which were allowed to continue for safety reasons. New critical projects included building dormitories to provide quick accommodation for foreign workers.

Singapore

Pan-United strengthened its infrastructural capabilities in port expansion and MRT projects across the island.

MORE INFRASTRUCTURAL PROJECTS

After the circuit breaker was lifted, Pan-United resumed work on other critical and time-sensitive projects that were permitted, such as the Tuas Terminal Finger 2, Tuas Water Reclamation Plant, the North-South Corridor, Jurong Regional Line and public housing for the Housing Development Board (HDB).



Mass pours in Labrador
Above: Concrete trucks discharging concrete into the casting area of the Labrador mass pours. The record pours were achieved with the help of new generation self-compacting concrete and digital initiatives such as e-sampling and e-delivery orders. These enhanced contactless work and safe distancing at the project site.

In November 2020, Pan-United broke a national record when it achieved Singapore's largest two continuous mass pours for a development in the Labrador area. It delivered a total of 37,258 cubic metres of ready-mix concrete in two mass pours over 57 hours and 42 hours, respectively.

By leveraging its advanced logistics technology, Pan-United was able to deliver one truckload of concrete non-stop at every 60 seconds to ensure zero disruptions to the mass pours. It used the contactless features of its industry-leading AiR technology to keep to stringent COVID-Safe Distancing regulations. These initiatives to enhance safety and minimise physical interaction at the worksite include e-sampling, e-delivery orders and e-sign-offs.

Pan-United was awarded the Best Performance Award by Samsung C&T for the third year in a row. This is our fifth award from Samsung since 2010.

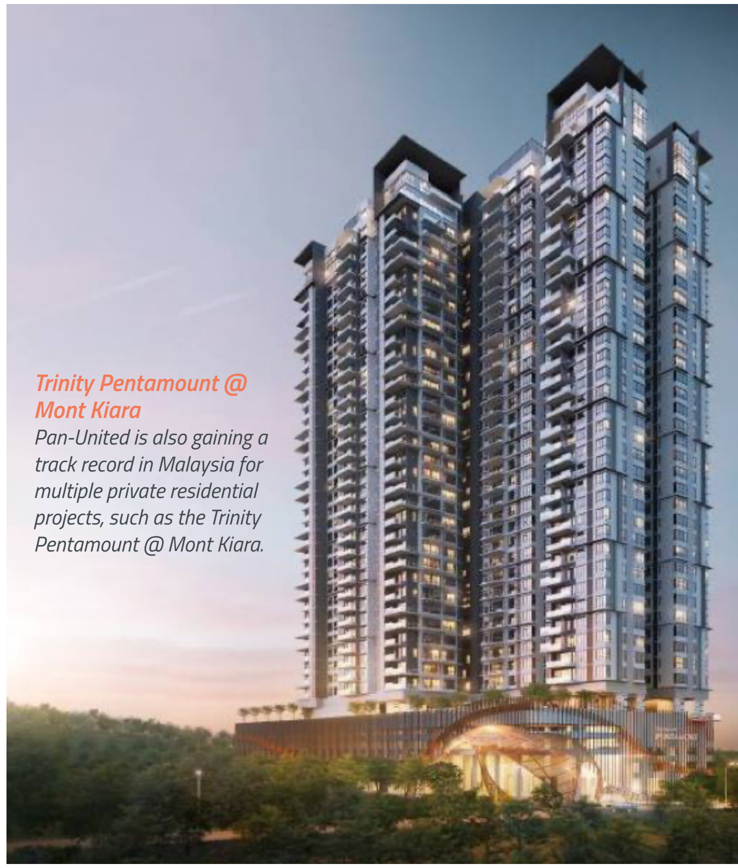
Malaysia

BUILDING UP A SOLID TRACK RECORD

Over the course of the year, Malaysia was placed under several phases of Movement Control Order in response to the COVID-19 pandemic. Construction work progressively resumed in May 2020.

Pan-United's subsidiary Fortis Star continued to gain traction in Malaysia, supplying heavily to infrastructure, residential and industrial projects. Demand for ready-mix concrete remains high for transport infrastructure projects, including the ongoing 20.1 km Damansara-Shah Alam Elevated Expressway (DASH) project in Klang Valley and the new 24.4 km Sungai Besi-Ulu Kelang Elevated Expressway (SUKE Highway) project in Kuala Lumpur. The SUKE Highway consists of 14 interchanges from Sri Petaling to Ulu Kelang, connecting over 60 residential areas.

Building up its track record of residential and industrial projects, Fortis Star supplied concrete for the Trinity Pentamont and MKH Inspirasi @ Mont Kiara condominium projects in Kuala Lumpur. Other premier projects include the Business Boulevard @ Central Park, a 6.9-acre commercial development in Johor Bahru.



Trinity Pentamount @ Mont Kiara
Pan-United is also gaining a track record in Malaysia for multiple private residential projects, such as the Trinity Pentamount @ Mont Kiara.

SUKE Highway
Artist's Impression of the SUKE highway, one of the many infrastructural projects Pan-United is involved in Malaysia.

Vietnam

Ho Chi Minh City Urban Railway Construction Project
This 19.6km metro line connects District 9 to Ben Thanh Market in Ho Chi Minh City, Vietnam.

Cat Lai Port (left)
Ho Chi Minh City's leading container port was supplied with concrete through the mobile booking app platform, GOLD BETONG™.

INCREASED DEMAND FOR SPECIALISED SOLUTIONS

Vietnam's construction sector was affected by delays in the issuance of construction permits and the pandemic, which reduced construction demand in 2020.

Nevertheless, Fico Pan-United Concrete (FiCOPanU) deepened its capabilities in infrastructural projects, supplying to the Ho Chi Minh City Urban Railway Construction Project, a 19.6 km metro line stretching from District 9 to Ben Thanh Market. FiCOPanU is also the main supplier for Ho Chi Minh City's leading container port, Cat Lai Port in District 2, using its mobile booking app platform GOLD BETONG™.

Demand for Pan-United's high-performance specialised concrete designs continues to rise. FiCOPanU delivered temperature-controlled concrete to the ongoing construction of Empire City, Keppel Land's 14.6-hectare integrated waterfront development in the Thu Thiem New Urban Area, the future central business district of Ho Chi Minh City. As the sole supplier for the Hilton Saigon project, FiCOPanU is supplying PanU Hi-Strength Concrete and Self-Compacting Concrete, delivering low-carbon footprint concrete to the five-star hotel in the city.

Empire City
This 333-metre-high mixed development comprising residential, retail and office properties will stand out with the third tallest building in Vietnam when completed in 2022.

Digitalisation In The Built Environment

Transforming The Industry

The unprecedented disruptions brought about by COVID-19 has magnified the value of digitalisation in the built environment industry.

goTruck! and AiR are two digital automation platforms that have proven beneficial in optimising operations in such times.

goTruck! is a one-of-a-kind, B2B truck hailing and fleet management platform that connects construction companies and materials suppliers with transporters in a seamless digital flow. It now serves about 40% of Singapore's total tipper truck demand for transporting raw materials in the construction sector. goTruck! continues to sharpen the competitve edge of its logistic technology business.

www.gotruck.co/

www.youtube.com/watch?v=mTNjQyUaW-0

AiR DIGITAL

AiR (Artificial Intelligence for Ready-Mix Concrete) is a SaaS platform that optimises ready-mix concrete and cement supply chains. The platform upgrades include COVID-Safe worksite practices to ensure safe distancing for construction projects post-Singapore's circuit breaker period. We continue to explore the utility of AiR with more companies in the building materials sector.

www.airdigital.sg/

www.youtube.com/watch?v=nAX1ZJl4qZc

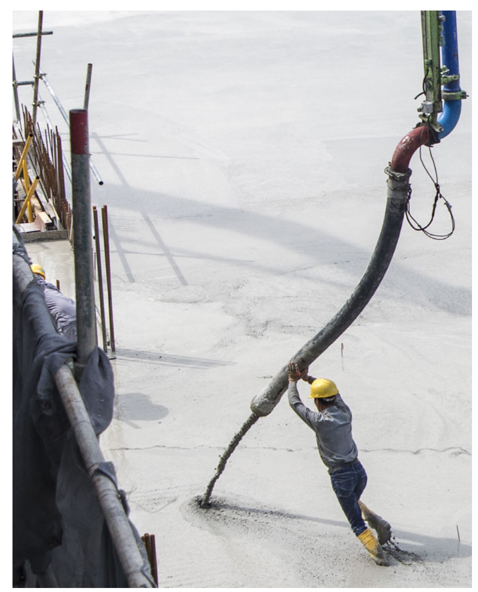
Adapting To A New Normal

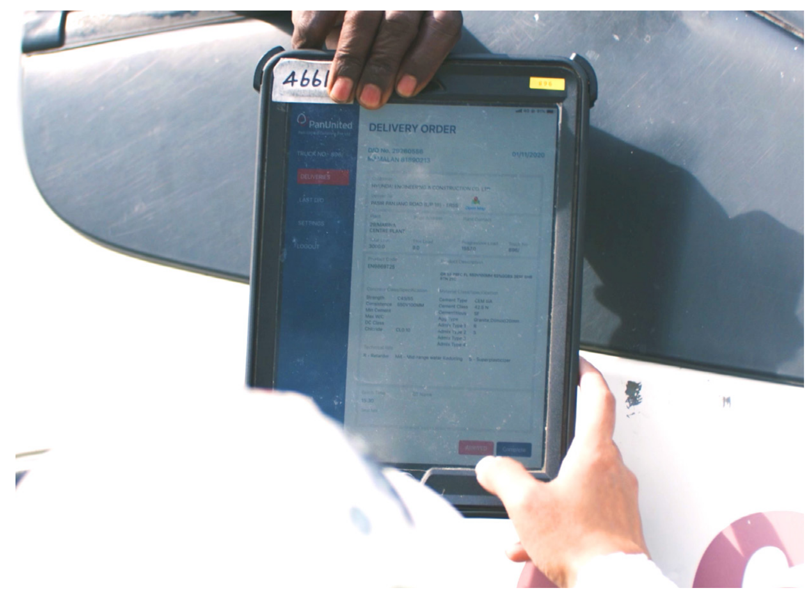
Agility In Unprecedented Times

Amid an unprecedented year that left most industries and markets reeling from the impact of the COVID-19 pandemic, we were relatively swift in adjusting to the "new normal". Pan-United rolled out new contactless technologies and e-processes to help contractors quickly resume activities onsite and improve health and safety.

Mixing concrete at a Pan-United batching plant

To enhance safe-distancing in the built environment, innovations such as PanU NewGen SCC (below left), e-delivery orders (below right) and virtual quality testing were deployed to enable work to continue efficiently.



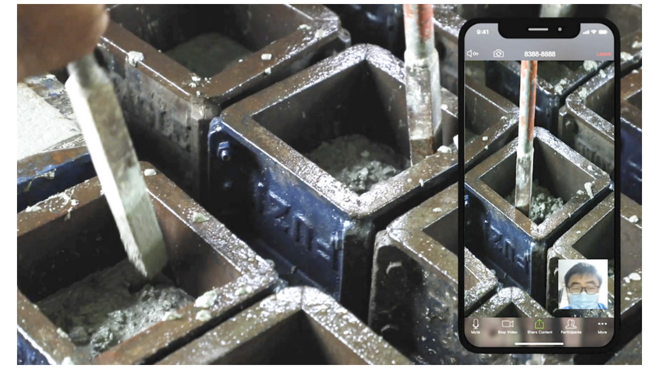


Adapting To A New Normal

To help check the spread of COVID-19, we introduced several initiatives to minimise physical interaction while observing safe distancing regulations at construction worksites. One of them is PanU New Generation Self-Compacting Concrete (PanU NewGen SCC), an enhanced specialised rheologic concrete that flows easily to reach hard-to-fill corners. Developed in-house by material scientists at our Innovation Centre, this flowing concrete allows contractors to assign a single worker to execute the concreting work – a process that would typically require several concreting workers to compact the concrete into place, and with a longer setting time. PanU NewGen SCC allows workers to keep a safe distance from each other. This special concrete reduces casting time by 40 percent, raising productivity by 75 percent.

We also equipped our concrete mixer trucks with Artificial intelligence Mixing (AiM), an in-transit concrete management system which continuously calibrates each truck's concrete consistency during the journey from the batching plant to the project site. By ensuring product quality consistency, the AiM system effectively eliminates the need for product technicians to be present on-site, thereby reducing the number of workers at the construction site and minimising risks.


PanU NewGen SCC
With PanU NewGen SCC, only one worker is required to guide the concrete pumping pipe around the slab area.



Virtual Quality Testing
To minimise physical touchpoints, Pan-United implemented remote quality checks such as virtual quality testing and e-sampling.

In 2020, we shifted our physical customer touchpoints to virtual ones on our AiR platform. The traditional concreting process requires trial mixes and cube sampling – procedures that test the compressive strength, workability and density of concrete mixes. To replace these physical touchpoints on-site, we developed an automated Virtual Quality Testing of trial mixes and e-Sampling for remote quality checks. Such digitalised processes allow contractors to achieve quality and safety control of materials while improving all-round worksite safety.

We see our valued employees as our greatest asset. During the circuit breaker, we used the downtime productively, rolling out numerous remote training workshops to upgrade our employees on technical product knowledge as well as skills in corporate branding, IT and digitalisation, amongst others.

Training by remote
Throughout the year, including the circuit breaker, we took the opportunity to focus on upskilling, reskilling and training our people.

AiM In-Transit Mixing
Pan-United's AiM in-transit concrete management system calibrates the consistency of concrete in mixer trucks. This increases product quality consistency among mixer trucks and minimises the number of workers and employees required on-site to test and approve the concrete quality. Above shows the concrete slump readings on the vehicle dashboard.

Concrete Sustainability

Approach To A Circular Economy

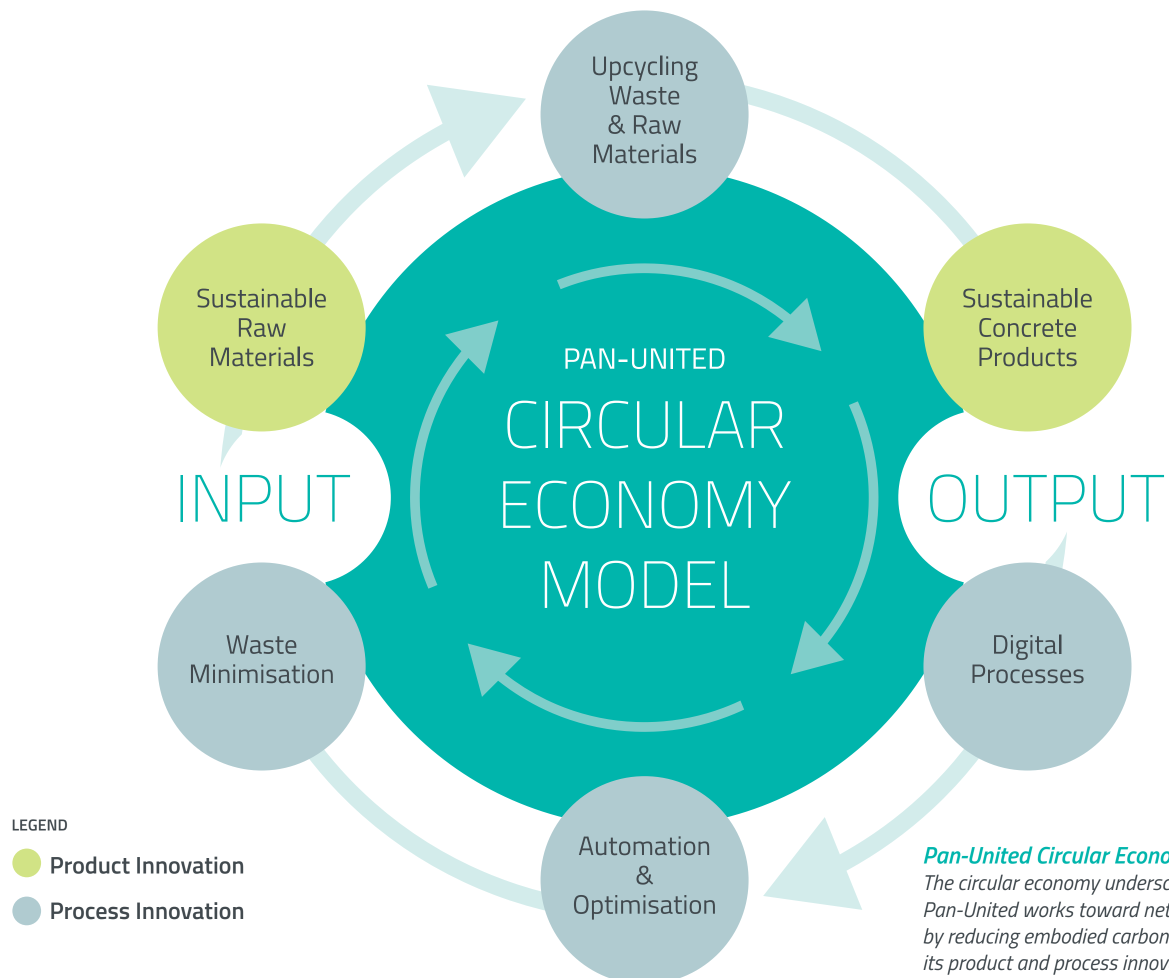
Sustainability has been deeply ingrained in Pan-United's business philosophy and operations for over 20 years. More so in recent years, Pan-United has gained significant recognition as an industry leader in low-carbon footprint concrete as we play our part to decarbonise the built environment. The various challenges induced by the COVID-19 pandemic in 2020 has inadvertently strengthened our advantage.

Advancing Net Zero
Pan-United was featured in a World Green Building Council publication on embodied carbon reduction in the construction sector.

SG Green Magazine
Pan-United was also highlighted in the Singapore Green Building Council biannual magazine which showcased iconic green landmarks that used our low-carbon concrete.

Concrete Sustainability

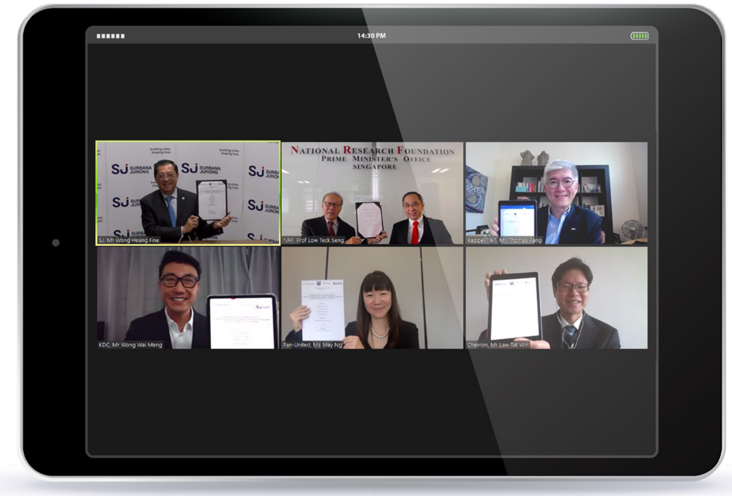
Reducing Embodied Carbon In Concrete



Pan-United Circular Economy Model
The circular economy underscores how Pan-United works toward net zero carbon, by reducing embodied carbon through its product and process innovations, and minimising waste.

PanU CarbonCure™ concrete technology
This carbon dioxide mineralisation# technology to decarbonise concrete continued to gain traction in Singapore, and has been supplied to infrastructural, commercial and residential projects, among them, the Surbana Jurong Campus.

During the year, Pan-United supplied its PanU CarbonCure™ concrete to various industrial and infrastructural projects. This innovative concrete sequesters carbon dioxide (CO_2) released from industrial emitters, and then uses carbon dioxide-injection technology to mineralise and permanently embed the CO_2 in ready-mix concrete. In addition, Pan-United has over 150 specialised concrete products that are nationally certified as green and low-carbon products.



Collaboration with Keppel Data Centres, Chevron and Surbana Jurong, with the support of the National Research Foundation
Pan-United signed a Memorandum of Understanding (MoU) with the three industry leaders to jointly develop the first end-to-end decarbonisation process in Singapore.

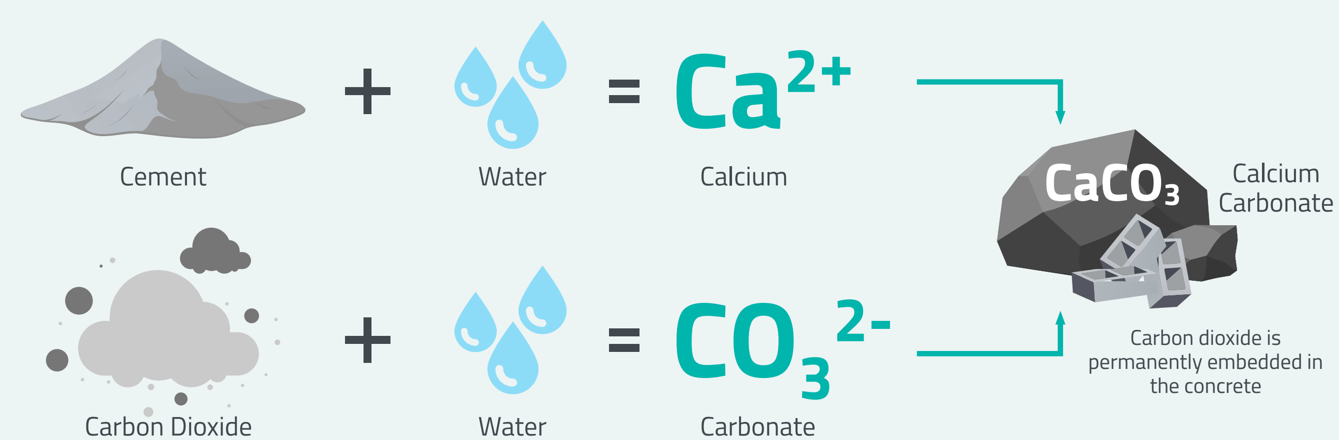
In July 2020, Pan-United signed a Memorandum of Understanding together with fellow industry leaders Keppel Data Centres, Chevron and Surbana Jurong to jointly develop the first end-to-end decarbonisation process in Singapore. With the support of the National Research Foundation, we intend to collectively promote the creation of a low-carbon economy, by accelerating the development of a highly integrated clean and energy-efficient Carbon Capture, Utilisation & Storage (CCUS) system.

In the same month, Pan-United was identified as one of five local companies with best-in-class sustainable innovations and was invited by Surbana Jurong to showcase our contributions towards a reduction of carbon emissions through the use of Cyro-Polygen technology. Cyro-Polygen is an integrated urban power generation system that can harvest, store and use cold energy from the regasification of Liquefied Natural Gas, and was jointly developed in a partnership between Surbana Jurong and Nanyang Technological University Singapore.

For its Singapore Week of Innovation & Technology (SWITCH) in December, Enterprise Singapore (ESG) highlighted Pan-United's involvement in the Gardens by the Bay project, where we used specialised and eco-friendly concrete developed in-house. Among them are PanU Green™, a product range which contains a high content of recycled raw materials, and PanU Colour™ concrete, a coloured concrete that is long-lasting and requires minimal maintenance.

Our leadership in the sustainability space primes us well to share our knowledge and insights with other players. At the Global Cement and Concrete Association's (GCCA) first Annual GCCA India E-conference in December, our deputy director of sustainability, Mr Lim Koon Min, was invited to share on our low-carbon footprint concrete approach to a circular economy. At the event, he explained how Pan-United challenges the norm in material utilisation and carbon reuse through our digital processes, automation, optimisation and the upcycling of waste and raw materials.

Carbon Dioxide Mineralisation# Process



Illuminating The Community

Concrete Creativity

Just as Pan-United is committed to shaping smart cities for tomorrow, we are also passionate about contributing to meaningful initiatives to give back to the community. Concrete is more than just a versatile building material – it is also an art form, a source of inspiration and above all, a medium to connect with our community, shape lifestyles and so much more.

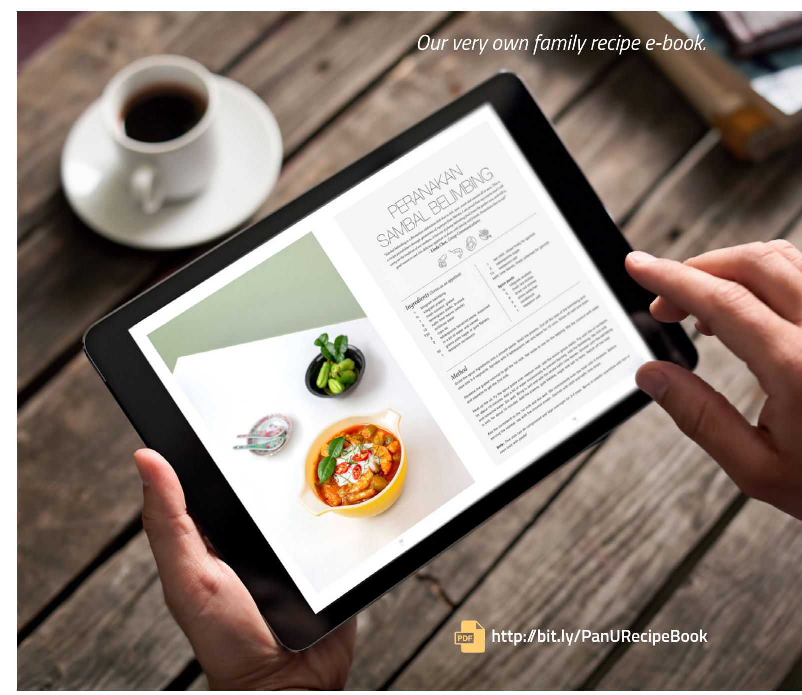
Patron of Heritage Awards Illuma Trophy
The Patron of Heritage Awards trophy design was inspired by the reflective property of crystals, glittering and sparkling in the light, and juxtaposed against the durability, stability and strength of concrete. The use of concrete, the building block of Singapore's development, pays homage to the country's rich history and multi-faceted heritage, as well as the possibilities and opportunities ahead.

www.youtube.com/watch?v=9AQGarcLipw

Pan-United extended its support to the National Heritage Board for the third year running, sponsoring 86 translucent concrete trophies for the Patron of Heritage Awards (POHA) in 2020. The trophies were conceptualised in-house and created with our special translucent concrete called PanU Illuma.

As a concrete technology and logistics company, Pan-United is constantly experimenting and innovating new concrete "recipes" for our customers. In early 2021, we produced a recipe e-book that showcases another facet of our in-house expertise. This is our collection of family culinary favourites, depicting the many talents, vibrancy and cultural diversity of the Pan-United family of employees.

Towards the cause of sustainability, we decided against hard copy printing the recipe e-book on paper. However, we are so proud of our beautiful recipe book that we decided to share it more widely through our annual report!



Our very own family recipe e-book.

http://bit.ly/PanURecipeBook

Financial Report

Report on Corporate Governance

The Company, which is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the SGX-ST) on 22 December 1993, has set in place self-regulatory corporate governance practices and has enhanced its internal policies and practices. The Company has adopted the Code of Corporate Governance 2018 (Code) as the benchmark for its corporate governance policies and practices.

This report describes the Company's corporate governance practices that were in place for the financial year ended 31 December 2020 (FY2020) with specific reference to the Code. It is arranged according to the principles listed in the Code. Principles 1 to 5 deal with board matters, Principles 6 to 8 with remuneration matters, Principles 9 to 10 with accountability and audit, Principles 11 to 12 with shareholder rights and engagement and Principle 13 with managing stakeholders relationships. Explanations have been provided where there are deviations from the Code.

Board of Directors
At the date of this report, the Board comprises seven directors including four independent directors, namely:

i	Tay Siew Choon	– Chairman, Independent Director
ii	Patrick Ng Bee Soon	– Deputy Chairman, Non-Executive Director
iii	Ng Bee Bee	– Chief Executive Officer
iv	Jane Kimberly Ng Bee Kiok	– Non-Executive Director (Appointed on 22 March 2021)
v	Cecil Vivian Richard Wong	– Independent Director
vi	Soh Ee Beng	– Independent Director
vii	Fong Yue Kwong	– Independent Director

The profile of each director is set out on page 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:

Director retiring pursuant to Regulation 88 of the Constitution of the Company (Constitution):
- Jane Kimberly Ng Bee Kiok

Director retiring pursuant to Regulation 89 of the Constitution:
- Tay Siew Choon

Additional information relating to the Directors seeking re-election as required under Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the SGX-ST can be found on page 46 to page 51.

BOARD MATTERS
The Board's Conduct of Affairs
Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.
The Board is collectively responsible for providing the overall strategy and direction to the Management and the Group. Each member of the Board has fiduciary duty to discharge his or her duties and responsibilities in the best interests of the Company at all times and holds Management accountable for performance. The Board delegates the day-to-day operations to Management. However, significant matters exceeding the internal financial limits set by the Board require the Board's approval.

The Board's role is to:
– provide entrepreneurial leadership, set strategic aims and ensure proper accountability within the Group;
– set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met;
– establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interest and the Company's assets;
– review the performance of Management; identify the key stakeholders groups and recognise that their perceptions affect the Company's reputation; and
– consider sustainability issues such as environmental, social and governance factors as part of the Board's strategic formulation.

Each member of the Board is required to adhere to the highest standards of ethics, integrity and accountability in the key areas such as conflicts of interest, duty of confidentiality, loans to directors (if any), directors' declaration of interest under the Companies Act, external appointments and dealings in shares. Where a director has a conflict or potentially conflict of interest in relation to any matter, he/she should immediately declare his/her interest when the conflict-related matter is discussed, unless the Board is of the opinion that his/her presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he/she will abstain from voting in relation to the conflict-related matters. On an annual basis, each director confirms his/her compliance with the Company's policy for dealing in the securities of the Company and submit the details of his/her associates for the purpose of monitoring interested person transactions.

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 engages lawyers, consultants and/or the Company Secretary for regular updates to the Board on major changes of relevant laws and regulations for a listed company.

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. Majority of the directors are members of the Singapore Institute of Directors (SID). An annual budget has been allocated for the training needs of the Board. Under the purview of the Nominating Committee (NC), the directors are encouraged to attend conferences and seminars, relating to finance, legal, business strategy, risk management and corporate governance issues, organised by SID and other professional organisations.

Matters requiring Board's decision and approval include:
– decide on strategic directions, key initiatives, policy matters and major transactions;
– approve annual capital and operating budgets;
– monitor Management's performance and review the financial performance of the Group;
– ensure the adequacy of internal controls;
– implement effective risk management systems;
– decide on the appointment and removal of the company secretary;
– ensure compliance with the Singapore Companies Act, Chapter 50, accounting standards, SGX listing rules and all other relevant statutes and regulations; and
– adopt relevant leading business practices.

During the course of the year under review, the Board was promptly informed of the Company's COVID-19 business continuity plan which was implemented to ensure appropriate systems and procedures within the Group to specifically address the impact of the pandemic on business operational risks. Management closely monitored developments on the COVID-19 situation within the Group and informed the Board on any impact and mitigation measures. The Board was also regularly updated on relevant legal and regulatory requirements in light of the rapidly evolving COVID-19 situation.

Delegation of Authority on certain Board Matters
To facilitate effective management, certain functions have been delegated to four Board Committees, namely, the Audit Committee, Executive Committee, Nominating Committee and Remuneration Committee, each of which is governed by clear terms of reference which has been approved by the Board. Minutes of all Board Committees meetings are provided to the directors 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 Tay Siew Choon – Chairman
ii Patrick Ng Bee Soon
iii Ng Bee Bee

Details of other Board Committees are as set out below:

i Nominating Committee (Principle 4)
ii Remuneration Committee (Principle 6)
iii Audit Committee (Principle 10)

Report on Corporate Governance (continued)

Meetings of the Board and Board Committees, and General meetings

The Board meets at least four times annually and additional meetings may be held as and when necessary to address any significant matters that may arise. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Constitution.

The record of the directors' attendance at the scheduled meetings held during FY2020 is set out as follows:

Name of director	Board	Audit Committee	Nominating Committee	Remuneration Committee	Annual General Meeting
Total number of meetings	**5**	**4**	**1**	**2**	**1**
Ch'ng Jit Koon (Retired on 23 June 2020)	2	2	1	–	1
Tay Siew Choon	5	4	1	1	1
Patrick Ng Bee Soon	5	–	1	2	1
Ng Bee Bee	5	–	–	–	1
Cecil Vivian Richard Wong	5	4	–	2	1
Soh Ee Beng	5	4	–	1	1
Fong Yue Kwong (Appointed on 1 March 2020)	4	–	–	1	1

The directors are provided with quarterly reports on the Group's financial position as well as timely and complete information to enable them to discharge their responsibilities. The directors are at liberty to request for further explanations, briefings or additional materials on any operational or business issues. The board papers and related materials are usually sent to directors fourteen days before a Board meeting.

The directors have separate and independent access to senior Management and company secretary at all times. The company secretary attends and maintains minutes of all meetings of the Board and Board Committees. The appointment and the removal of the company secretary are subject to the Board's approval.

The directors, in carrying out their responsibilities, may either individually or as a group, appoint professional advisers of their choice to render advice at the expense of the Company.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Company recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of its performance. Although the Company has not adopted a formal board diversity policy, the Nominating Committee (NC) has been tasked to implement measures including selection and nomination of suitable candidates from diverse backgrounds to be appointed as new director(s) of the Company and review of the composition of the Board to achieve diversity in the Board.

In light that two of the independent directors, Messrs Cecil Vivian Richard Wong and Tay Siew Choon have served beyond nine years from the date of their 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. Further, the SGX Listing Manual sets out specific circumstances in which a director is deemed non-independent, including, effective on 1 January 2022, the requirement for directors wishing to remain as independent after serving more than nine years, to seek two-tier voting by shareholders. The dates of the first appointment for these directors are set out on page 36 of the Annual Report.

Based on the self-declaration provided by each director of any relationships as set out in the SGX Listing Manual and the Code, the individual, peer and board evaluations performed and informal reviews conducted, the Board has determined that the four non-executive directors, namely Messrs Cecil Vivian Richard Wong, Tay Siew Choon, Soh Ee Beng and Fong Yue Kwong, 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 the 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 constantly reviews the board's diversity covering aspects ranging from skills, experience, background, gender, age, ethnicity and culture, tenure of service, independence and other distinguished qualities to enhance decision-making capability and foster constructive debate. The Board comprises seven directors including four independent directors. The members of the Board possess complementary skillset, knowledge and experience in multi-industries, such as finance, investment and management. The average age of the Directors is 66 years old, with the range from 52 years old to 98 years old. The Company has two female directors on the Board. The Company is of the view that there is diversity in the Board. 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, age and knowledge of the Group. No individual or group dominates the Board's decision-making process.

The non-executive directors, who make up a majority of the Board, always constructively challenge and help develop proposals on strategy and review Management's performance in meeting agreed goals and objectives, and monitor the reporting of Management's performance. The non-executive directors also set aside time to meet with and without the presence of Management and provide feedback to the Board as appropriate.

Chairman and Chief Executive Officer (CEO)

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The roles of the Chairman and CEO are separate and consist of two directors who have no familial relationship with each other. The Chairman is an independent director who bears responsibility for the workings of the Board and assists in enhancing the Company's corporate governance practices. The CEO is the executive director responsible for the day-to-day operations of the Group.

The Chairman's role includes the following:

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

Given the clear separation of the roles of Chairman (Independent Non-Executive Director) and CEO of the Company, the Board is of the view that a lead independent director is not needed at present.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Nominating Committee comprises three members, the majority of whom, including the NC Chairman, are non-executive independent directors, namely:

i Tay Siew Choon – Chairman (Appointed on 23 June 2020)
ii Patrick Ng Bee Soon
iii Soh Ee Beng (Appointed on 23 June 2020)

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

- to review succession plans for directors including the Chairman, the CEO and key management personnel and make recommendation to the Board on new appointments;
- to assess, through a process implemented by the Board, the effectiveness of the Board as a whole and each of the Board Committees and the contribution by each individual director to the effectiveness of the Board;
- to review training and professional development programs for the directors;
- 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 first appointment;
- to decide whether or not a director is able to and has been adequately carrying out his duties as director of the Company; and
- to ensure new directors are aware of their duties and obligations.

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

Report on Corporate Governance (continued)

Board Membership (continued)

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, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with appropriate expertise and experience for the appointment as new director. The selection criterion includes integrity, expertise, industry experience and financial literacy. 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, explaining among other matters, the roles, obligations, duties and responsibilities as member of the Board, will be issued to new directors. In FY2020, Mr Fong Yue Kwong was appointed as an Independent Director of the Company on 1 March 2020. During the first quarter of 2021, Ms Jane Kimberly Ng Bee Kiok was appointed as a Non-Executive Director of the Company on 22 March 2021. Alternative directorships in the Company are not encouraged by the NC. The Company has no alternate directors on its Board.

The Board reviews annually whether a Director is considered an Independent Director based on the 2018 Code and the Listing Rules. The Board has ascertained that for the financial year under review, the Independent Directors are independent. Please see the disclosures with respect to Principle 2 "Board Composition and Guidance" for the assessment of the Directors' independence by the NC and the Board.

In accordance with Regulation 88 of the Constitution, all newly appointed directors will only hold office until the next AGM and Regulation 89 of the Constitution provides that every director shall, subject to the Companies Act, retire from office at least once every three (3) years.

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

Name of director	Age	Position	Date of first appointment	Date of last re-election
Tay Siew Choon	73	Chairman, Independent Director	01/02/2005	29/04/2019
Patrick Ng Bee Soon	58	Deputy Chairman	25/05/1993	23/06/2020
Ng Bee Bee	53	Chief Executive Officer	31/01/2004	29/04/2019
Jane Kimberly Ng Bee Kiok	59	Non-Executive Director	22/03/2021	-
Cecil Vivian Richard Wong	98	Independent Director	01/10/1992	26/04/2018
Soh Ee Beng	52	Independent Director	17/12/2018	29/04/2019
Fong Yue Kwong	68	Independent Director	01/03/2020	23/06/2020

Notes
1) Information on directors' shareholdings in the Company and its related companies is set out on page 52 of the Annual Report.
2) Information on directorships or chairmanships in other listed companies and other major appointments is set out on page 10 and 11 of the Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board has adopted an internal process for evaluating the effectiveness of the Board as a whole and each of the Board Committees and individual directors annually. Each director is required to complete a board evaluation form to be returned to the NC Chairman. The evaluation results are subsequently consolidated and presented to the Board together with the NC's recommendations at the Board meeting held prior to the AGM.

In evaluating the Board's performance, the NC may take into consideration qualitative and quantitative performance criteria. The evaluation parameters may include performance against set goals and contribution to the Group's long-term objectives and revenue growth. Each director's individual performance is also undertaken on an annual basis through peer evaluation and self-assessment.

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

Based on the results of the evaluation exercise of the Board as a whole and each of the Board Committees as well as the performance of each director for FY2020, the NC is satisfied that all the directors have adequately carried out their duties.

REMUNERATION MATTERS

Procedures for developing remuneration policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The Remuneration Committee (RC) comprises four non-executive directors, the majority of whom, including the RC Chairman, are independent directors, namely:

i Soh Ee Beng – Chairman (Appointed on 23 June 2020)
ii Cecil Vivian Richard Wong
iii Patrick Ng Bee Soon
iv Fong Yue Kwong (Appointed on 23 June 2020)

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

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

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

An appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.

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, responsibilities 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.

Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The following table shows the breakdown of the level and mix of directors' remuneration for FY2020:

Remuneration bands & name of director	Base salary/ Directors' fees	Performance-related bonus	Share options granted
Below $250,000			
Ch'ng Jit Koon (Retired on 23 June 2020)	100%	–	–
Tay Siew Choon	100%	–	150,000
Patrick Ng Bee Soon	–	–	–
Ng Bee Bee	100%	–	–
Cecil Vivian Richard Wong	100%	–	150,000
Soh Ee Beng	100%	–	150,000
Fong Yue Kwong	100%	–	–

Mr Patrick Ng Bee Soon voluntarily waived the payment of Directors' fees due to him for FY2020.

Report on Corporate Governance (continued)

Disclosure on Remuneration (continued)
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 the names, amount and breakdown of remuneration of the top five key management personnel as recommended by the Code would be disadvantageous to the Group's interests.

Except for the CEO, Ms Ng Bee Bee, no employee of the Group is a substantial shareholder of the Company or an immediate family member of the CEO, a director or a substantial shareholder who was paid remuneration that exceeded $100,000 for FY2020.

The RC also reviews the Company's obligations arising in the event of termination of any executive director's and key management personnel's contract of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. There is no contractual provision in the service contracts of executive directors and key management personnel to allow the Company to reclaim incentive components from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss of the Company.

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

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

Details of the share options granted pursuant to the Scheme 2002 are set out in the Directors' Statement on page 53 and 54 of the Annual Report. In accordance with Rule 704(29) of the Listing Rules, the necessary SGXNET announcement of the FY2020 share options granted was made on 10 November 2020.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.
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 (International) (SFRS(I)). The Board complies with the relevant rules of the Listing Manual with the prompt announcements of its half year and full-year unaudited financial results and other price-sensitive information via SGXNET.

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 ensures that Management maintains a sound system of risk management and internal controls to determine the nature and extent of significant risks and appropriate mitigation measures to address such risks, as well as to safeguard the Group's assets and shareholders' interests.

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

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

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

The Group's internal and external auditors conduct periodic and annual reviews on the adequacy and effectiveness of the Group's internal controls, including but not limited to financial, operational, compliance and information technology controls, and risk management systems. 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 Group Head, Corporate Development, who is holding the role of Chief Financial Officer, that for FY2020, the relevant financial records of the Group have been properly maintained and the financial statements of the Group, prepared in accordance with SFRS(I), presented a true and fair view of the state of affairs of the Group's operations and finances and the Group's risk management and internal control systems, including but not limited to financial, operational, compliance and information technology controls, in place were adequate and effective and also provided a reasonable assurance that assets were safeguarded against unauthorised loss or disposition.

Based on the systems of risk management and internal controls established and maintained by the Group, works 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, including 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 systems and internal controls may need to be adjusted accordingly from time to time, and that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, fraud and other irregularities.

Key Risks facing the Group
The Group is vulnerable to a number of risks applicable to the industries and the areas in which it operates. The Group's approach to financial risk management is listed on page 100 to 104 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.

COVID-19 Pandemic
Management has implemented several measures to minimise the impact of COVID-19 on the businesses of the Group. These measures included enabling employees to work from home and remote access to office email to ensure the day-to-day operations of the Group remain active and at the same time remain in contact with the stakeholders through online meetings and email communications. In addition, meetings of the Board of Directors and the Board committees are conducted virtually, utilising the available technology.

Business risk
Concrete & Cement
The Concrete and Cement (C&C) division is exposed to changes in demand and selling prices of basic building materials, mainly for the construction industry. On the supply side, it is exposed to any disruption to raw material supplies and increases in raw material prices. The C&C division responds to the risks by managing its operational costs and having diversified sources of raw materials.

Trading and Shipping
The Trading and Shipping division is exposed to changes in demand for cargoes, such as coal and gypsum, in China and the Southeast Asia region. It is also subjected to the risk of cargo quality. To help manage these risks, the division maintains good working relationships with cargo suppliers and customers and adopt a lean cost structure through cost and credit management measures.

Operational risk
Operational risk refers to potential loss resulting from a breakdown of internal processes, deficiencies in people and management or operational failure arising from external events. The operational risk management process instituted in the Group is to minimise unexpected losses and manage expected losses. This process is supported by a team of experienced management staff and key personnel who plays a critical role 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 continues to have regular engagement with all employees on cybersecurity matters to help maintain awareness.

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

Report on Corporate Governance (continued)

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

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

i Cecil Vivian Richard Wong – Chairman
ii Tay Siew Choon
iii Soh Ee Beng

The Board is of the view that the AC members, having recent and relevant accounting and related financial management expertise and experience, are appropriately qualified to discharge their responsibilities. None of the members of the AC is a former partner or director of the Company's external auditor, Ernst & Young LLP within the past two years, or has any financial interest in the audit firm.

The AC meets at least four times a year. The AC performs the functions as set out in the Code including the following:

- review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- review the adequacy and effectiveness of the Group's systems of accounting, internal controls and risk management;
- review, on an annual basis, the independence of the internal and external auditors and makes recommendation to the Board on the remuneration, terms of engagement and nomination of the external auditor;
- review the overall adequacy, effectiveness, independence, scope and results of both internal and external audits, and the assistance given by Management to the auditors;
- review the Company's whistle-blowing policy and to ensure that arrangements are in place for concerns about possible improprieties in matters of financial reporting or other matters to be raised and independently investigated, and for appropriate follow-up actions to be taken;
- oversee 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;
- review the Group's programme to monitor compliance with its legal, regulatory and contractual obligations;
- review the quarterly financial statements of the Company as well as the auditors' reports; and
- meet with the internal and external auditors annually, without the presence of Management, to discuss the results of their respective audit findings and their evaluation of the Group's systems of accounting, internal controls and risk management.

Since FY2014, the AC, with the approval of the Board, assumed the function of the Board Risk Committee to oversee the Group's enterprise risk management framework and policies.

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

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

- reviewed and recommended to the Board the half year and full-year financial results related SGX announcements;
- reviewed and evaluated with internal and external auditors, the adequacy and effectiveness of internal controls systems, including financial, operational, compliance and information technology 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 independence, adequacy and effectiveness of the Group's internal audit function, including the adequacy of internal audit resources and its appropriate standing within the Group;
- reviewed with external auditor the key areas of audit emphasis, periodic updates on changes in accounting standards and treatment, independence, fraud considerations and summary of audit differences;
- reviewed the enterprise risk management reports, its mitigation factors and updates;
- reviewed whistle-blowing investigations and ensuring appropriate follow-up actions, if required, including clearly communicating to the employees, the existence of the whistle blowing policy and procedures for raising such concerns;
- reviewed Interested Person Transaction under Chapter 9 of SGX Listing Manual;
- reviewed and recommended to the Board the proposed dividends for financial year ended 31 December 2020;
- reviewed the assurance from the CEO and Group Head, Corporate Development on the financial records and financial statements;
- met with external and internal auditors without the presence of Management;
- reviewed and recommended the re-appointment, remuneration and terms of engagement of external auditor and was satisfied with the audit fees paid to the auditor; and
- reviewed the non-audit fee of the external auditor and was satisfied with the non-audit fees paid to the auditor.

In the review of the financial statements for FY2020, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditor of the Company and were reviewed by the AC:

Significant matters	AC's commentary
Impairment of goodwill	The AC considered the approach and methodology applied by Management to the respective valuation model for the goodwill impairment assessment, including the key assumptions for short- and long-term growth rates, cash flow expectations and the discount rate used for the Group's cost of capital. The AC was satisfied that the approach and methodology used by Management were appropriate. The impairment review was also an area of focus for the external auditor, who had reported their findings to the AC. Details can be found in the Auditor's Report on page 55.
Impairment assessment of trade receivables	The AC considered the approach and methodology used by Management in the evaluation of the Group's trade receivables for impairment, including judgement in estimating the expected credit loss. The AC was satisfied that the approach and methodology used by Management were appropriate. The impairment assessment of trade receivables was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in the Auditor's Report on page 56.

External Audit

The AC has conducted a review of the non-audit services provided by the external auditor, Ernst & Young LLP (EY) and is satisfied that the independence of EY is not affected by such non-audit services. The aggregate amount of audit and non-audit services payable to EY, for FY2020 is disclosed in the financial note 5 on page 79 of the Annual Report. Having also reviewed and considered EY's audit quality indicators data, the AC recommends to the Board the re-appointment of EY as the external auditor of the Company for the financial year ending 31 December 2021.

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 FY2020.

Internal Audit

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

The IA's primary reporting line is to the AC Chairman directly although the IA also reports administratively to the CEO. The IA reports their findings and recommendations directly to the AC. The IA has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

Under its terms of reference, the AC reviews and approves the internal audit plan. The AC also reviews the independence, adequacy and effectiveness of the internal audit function. The AC has re-appointed PwC as the Group's IA for FY2021.

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.

Report on Corporate Governance (continued)

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder rights and conduct of general meetings

Principle 11: The Company treats all shareholders fairly and equitably, in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET.

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

Shareholders are also informed of rules, including voting procedures that govern the general meetings.

All resolutions put to every general meeting of the Company are voted separately unless the resolutions are interdependent and linked so as to form one significant proposal.

The Company put all resolutions to vote by electronic poll at the general meetings. An independent scrutineer is appointed to count and validate the votes cast at the meetings. Detailed results showing the number of votes cast for and against each resolution and the respective percentage will be displayed live-on-screen to shareholders/proxies immediately after each poll conducted. The shareholders are briefed on the voting procedures and how to vote for and against each resolution using the electronic hand-held device. The scrutineer will conduct a test poll to vote on a test resolution to familiarise the shareholders with the voting procedures and the electronic hand-held device. After the Company's general meetings, the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET.

The Constitution allows shareholders of the Company to appoint up to two proxies to attend and vote on their behalf. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each annual general meeting. The Company is not implementing absentia voting methods, such as voting by mail, email, fax, etc., until the security and integrity issues are satisfactorily resolved.

The Annual General Meeting (AGM) 2020 was held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the Order). The Order also provides alternative arrangements apply to meetings held during the period commencing from 27 March 2020 and extended to 30 June 2021, providing listed entities with the option to conduct general meetings via electronic means. Alternative arrangements relating to attendance at the AGM via electronic means i.e. live audio-visual webcast or live audio-only stream, submission of questions to the Company in advance of the AGM, addressing substantial and relevant questions prior to and at the AGM and appointing the Chairman of the AGM as the proxy at the AGM, were put in place.

In view of the evolving COVID-19 situation, the Accounting and Corporate Regulatory Authority (ACRA), the Monetary Authority of Singapore (MAS) and Singapore Exchange Regulation (SGX RegCo) have on 1 October 2020, provided updated guidance for listed and non-listed companies on the conduct of general meetings arising from the updates from the Multi-Ministry Taskforce to ease safe management measures to facilitate business operations (Updated Guidance).

Listed and non-listed companies may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. This will help keep physical interactions and COVID-19 transmission risks to a minimum, which remains important in the long-term, even as safe distancing regulations are gradually and cautiously relaxed.

After due consideration of public health and other risks, the AGM 2021 will be convened and held by electronic means on 30 April 2021 pursuant to the Order and shareholders are invited to participate at the virtual AGM 2021 by (a) observing and/or listening to the AGM 2021 proceedings via live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of the AGM 2021; and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the AGM 2021. Details of the steps for pre-registration, submission of questions and voting at the AGM 2021 by shareholders are set out in a separate announcement released on SGXNET on 15 April 2021.

The Company Secretary prepares minutes of general meetings, which incorporate substantial comments or queries and questions from shareholders and responses from the Board and Management, where relevant. The minutes are published on its corporate website. At the immediate past AGM, in compliance with the requirements stipulated in the Order, the Company published the minutes of its AGM held on 23 June 2020 on SGXNET within a month after the AGM.

The Company 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 our shareholders as dividends. Any payouts are clearly communicated to shareholders via announcements on SGXNET when the Company discloses its financial results.

Engagement with Shareholders

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The Company does not practise selective disclosure. Price-sensitive announcements and financial results announcements are released via SGXNET and posted on the Company's website immediately thereafter. Shareholders are encouraged to sign up for the Email Alerts at the Company's corporate website, www.panunited.com.sg, to receive the Company's SGXNET announcements automatically via email.

On 7 February 2020, the SGX's rule on risk-based quarterly reporting came into effect, whereby listed companies may, unless otherwise required by SGX, report their results semi-annually. Accordingly, the Company has moved to semi-annual reporting of its financial performance with effect from FY2020.

The Company conducts analyst briefings to maintain regular dialogue with shareholders as well as to solicit and understand the views of shareholders. The Company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communications with shareholders. The investor relations policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.

The annual reports and other communications to the shareholders, such as Notices of Annual General Meeting, Letters to Shareholders, Circulars and Proxy Forms, are published on the Company's corporate website and also made available on the SGX website.

Report on Corporate Governance (continued)

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Board adopts a balanced approach towards the needs and interests of key stakeholders to ensure that the business interests are aligned with those of the stakeholders, to understand and address concerns so as to improve services and products' standards and to sustain long-term growth and relationships.

The stakeholders are identified by assessing their reliance on, involvement with, and influence on our business. Five stakeholders groups, namely customers, investors/shareholders, employees, regulators/governments and suppliers/sub-contractors have been identified. The table below shows the key areas of focus and our strategy in relation to the management of stakeholder relationships during the year.

Stakeholders	Interests/key concerns of stakeholders	Our response	Method	Frequency
Customers	• Quality of products and services • Customers' requirement • Research & Development (R&D) collaborations	• Ensure high levels of customer service • Frequent communication to understand requirements and changing demands.	• Customer feedback • Meetings	• On-going
Investors/ Shareholders	• Performance reviews • Group financial results • Dividend payouts • Any matters affecting the Group	• Provision of semi-annual announcements and investor-related information on the company website • Annual report, Sustainability report and other communications such as notices and letters to shareholders, and Proxy Forms on the company website • Shareholder participation at general meetings	• Annual General Meeting • Annual reports • Extraordinary General Meeting • SGX announcements • Corporate website and social media • Email alerts	• Annual • Ad-hoc • On-going
Employees	• Workplace health and safety • Employee's welfare • Training and career development	• Employee wellness talks, health screenings etc. • Employee training and development • Alternative work arrangements during COVID-19 period	• Annual Dinner • Staff meetings and discussions • Training programmes, • E-learning portal • Internal emails • Employee intranet	• Annual • Ad hoc • On-going
Regulators/ Government	• Environmental compliance • Labour standard compliance • SGX listing requirements	• Collaborations to ensure compliance and achieve high ratings whenever possible	• On-site inspections and visits • Meetings • Government publications	• On-going
Suppliers/ Sub-contractors	• Product quality and delivery schedules • Health and safety	• Regular meetings to exchange feedback and areas of concern	• Meetings • Emails	• On-going

The Company maintains a current corporate website, www.panunited.com.sg, to communicate and engage with its stakeholders. The comprehensive website, which is updated regularly, contains various information on the Group which serves as an important resource for investors and all stakeholders. It has a dedicated "Investors" link which features the latest and past annual reports, announcements, latest AGM notice and proxy form.

OTHER CORPORATE GOVERNANACE MATTERS

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 one month before the announcement of the Company's half-year and full-year financial results. In addition, directors and employees are made aware that insider trading laws are applicable at all times. The Company issues semi-annual reminders to its directors, relevant officers and employees on the restrictions in dealings in the Company's shares as set out above, in compliance with Rule 1207(19) of the SGX-ST Listing Manual.

Material contracts

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

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis. Currently, there is no shareholders' mandate for interested person transaction pursuant to Rule 920 of the Listing Manual of the SGX-ST.

There were no interested person transactions as defined in Chapter 9 of the SGX Listing Manual, entered into by the Company or the Group during FY2020.

On behalf of the Board of Directors,

Tay Siew Choon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
31 March 2021

Report on Corporate Governance (continued)

THE INFORMATION REQUIRED UNDER RULE 720(6) AND APPENDIX 7.4.1 OF THE SGX-ST LISTING MANUAL IN RESPECT OF DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING ON 30 APRIL 2021 IS SET OUT BELOW

Name of Director	Tay Siew Choon	Jane Kimberly Ng Bee Kiok
Date of Appointment	1 February 2005	22 March 2021
Date of last re-appointment	29 April 2019	N.A.
Age	73	59
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	N.A.	N.A.
Whether appointment is executive, and if so, the area of responsibility	No	No
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.	Independent Director Board Chairman Executive Committee Chairman Nominating Committee Chairman Audit Committee Member	Non-Executive Director
Professional qualifications	Master of Science in Systems Engineering Bachelor of Engineering (Electrical) Honours degree Member of MIES, The Institution of Engineers, Singapore	Bachelor of Science degree (*summa cum laude*)

Name of Director	Tay Siew Choon	Jane Kimberly Ng Bee Kiok
Working experience and occupation(s) during the past 10 years	February 2005 – current Independent Director of the Company	March 2009 – February 2018 Executive Director of the Company February 2018 – September 2020 Executive Director of Xinghua Port Holdings Ltd
Shareholding interest in the listed issuer and its subsidiaries	Mr Tay Siew Choon has a direct interest of 1,037,500 shareholdings in the Company	Ms Jane Kimberly Ng Bee Kiok has deemed interest of 408,809,502 shareholdings in the Company, comprising the shareholdings of BOS Trustee Limited held under nominee's account (207,000,000 shares), shares in the joint names of Mr Ng Han Whatt, Ms Jane Kimberly Ng Bee Kiok and Ms Ng Bee Bee (191,250,000 shares) and shares held by her nominees (10,559,502 shares).
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Ms Jane Kimberly Ng Bee Kiok is the sister of: Mr Ng Han Whatt (substantial shareholder), Ms Ng Bee Bee (Chief Executive Officer and substantial shareholder) and Mr Patrick Ng Bee Soon (Deputy Chairman). She is also a substantial shareholder of the Company.
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Report on Corporate Governance (continued)

THE INFORMATION REQUIRED UNDER RULE 720(6) AND APPENDIX 7.4.1 OF THE SGX-ST LISTING MANUAL IN RESPECT OF DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING ON 30 APRIL 2021 IS SET OUT BELOW

Name of Director	**Tay Siew Choon**	**Jane Kimberly Ng Bee Kiok**
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	Nil	Azerbeth Pte Ltd Clarus Capital Pte Ltd Clarus Investments Pte Ltd Cresco Development Pte Ltd FICO Pan-United Concrete Joint Stock Company Pan-United Corporation Ltd Raffles Cement Pte Ltd Raffles Concrete Pte Ltd Resources Development (2010) Pte Ltd Salvus Development Pte Ltd Singapore Changshu Development Company Pte Ltd Xinghua Port Holdings Ltd
Present	GoTruck Pte Ltd GoTruck Holdings Pte Ltd PoreDeen Pte Ltd Straco Corporation Limited TauRx Therapeutics Ltd TauRx Pharmaceuticals Ltd WisTa Laboratories Ltd	Canary Ventures Limited Chancery Gate Holdings Pte Ltd Clarus Corporation Pte Ltd Ellamount Investments Limited Ellamount Investments Pte Ltd Fifty-Eight Capital Pte Ltd Lancefield Investments Pte Ltd Oriole Opportunities Pte Ltd P.U. Vision Pte Ltd Pan-United Shipping Pte Ltd Park Central Investments Limited Raffles Fund 1 Limited Raffles Fund Coinvest 2 Limited RVP Coinvest Ltd Sarafield Investments Limited Sarafield Investments Pte Ltd Sedgefield Corporation Pte Ltd Tessori Pte Ltd

Name of Director	**Tay Siew Choon**	**Jane Kimberly Ng Bee Kiok**
Information required pursuant to Listing Rule 704(7)		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

Report on Corporate Governance (continued)

THE INFORMATION REQUIRED UNDER RULE 720(6) AND APPENDIX 7.4.1 OF THE SGX-ST LISTING MANUAL IN RESPECT OF DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING ON 30 APRIL 2021 IS SET OUT BELOW

Name of Director	**Tay Siew Choon**	**Jane Kimberly Ng Bee Kiok**
Information required pursuant to Listing Rule 704(7)		
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of : -		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	Ms Jane Kimberly Ng Bee Kiok was the Executive Director of Xinghua Port Holdings Ltd (XPH), a company then listed on the Main Board of The Stock Exchange of Hong Kong Limited, but was subsequently delisted on 20 November 2020. In November 2018, one of XPH's subsidiaries, which is incorporated in the People's Republic of China, was fined for a breach of safety regulations. The investigations involved and the penalty imposed were related to that subsidiary and certain employees but not imposed on Ms Ng.
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has ever been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Pan-United Corporation Ltd (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2020.

1. Opinion of the Directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Board of Directors

The directors of the Company in office at the date of this statement are:

Tay Siew Choon – Chairman, Independent Director
Patrick Ng Bee Soon – Deputy Chairman
Ng Bee Bee – Chief Executive Officer
Jane Kimberly Ng Bee Kiok – Non-executive Director (Appointed on 22 March 2021)
Cecil Vivian Richard Wong – Independent Director
Soh Ee Beng – Independent Director
Fong Yue Kwong – Independent Director

3. Arrangements to Enable Directors to Acquire Shares and Debentures

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. Directors' Interests in Shares and Debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations as stated below:

	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
The Company **Pan-United Corporation Ltd** (ordinary shares)				
Tay Siew Choon	1,037,500	1,037,500	–	–
Patrick Ng Bee Soon	34,962,037	34,962,037	–	–
Ng Bee Bee	–	–	408,375,002*	408,375,002*
Cecil Vivian Richard Wong	625,000	625,000	–	–

* These include 191,250,000 (as at 1 January 2020: 191,250,000) ordinary shares held as joint shareholders.

	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
(options to subscribe for ordinary shares)				
Tay Siew Choon	777,200	763,600	–	–
Cecil Vivian Richard Wong	613,600	763,600	–	–
Soh Ee Beng	–	150,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Ms Ng Bee Bee is 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 2021.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

5. Options

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

Under the Scheme 2002, the options granted prior to its expiry date and outstanding as at 31 December 2020 are as follows:

			Number of share options
Date granted	Exercise price/ Adjusted exercise price*	Exercise period	At 31 December 2020
15/11/2012	$0.62/0.39	15/11/2013 - 14/11/2022	426,400
20/11/2013	$0.91/0.58	20/11/2014 - 19/11/2023	1,222,800
19/11/2014	$0.80/0.51	19/11/2015 - 18/11/2024	1,244,600
19/11/2015	$0.55/0.35	19/11/2016 - 18/11/2025	1,037,500
11/11/2016	$0.55/0.35	11/11/2017 - 10/11/2021	654,400
11/11/2016	$0.55/0.35	11/11/2017 - 10/11/2026	1,212,500
08/12/2017	$0.55/0.35	08/12/2018 - 07/12/2022	600,000
08/12/2017	$0.55/0.35	08/12/2018 - 07/12/2027	1,400,000
16/11/2018	$0.27	16/11/2019 - 15/11/2023	300,000
16/11/2018	$0.27	16/11/2019 - 15/11/2028	1,197,500
19/11/2019	$0.345	19/11/2020 - 18/11/2024	300,000
19/11/2019	$0.345	19/11/2020 - 18/11/2029	1,915,000
10/11/2020	$0.28	10/11/2021 - 09/11/2025	450,000
10/11/2020	$0.28	10/11/2021 - 09/11/2030	2,065,000
			14,025,700

* The adjustments have been made in accordance with the rules of the Scheme 2002 in conjunction with the discontinued operations of the Port business, under Xinghua Port Holdings Ltd (Xinghua), which was de-merged on 7 February 2018, as a separate entity through a capital reduction of the Company and a distribution in specie of all the shares in Xinghua, held by the Company, to its shareholders.

During the financial year ended 31 December 2020, the Company has granted 450,000 options to non-executive directors of the Company and 2,065,000 options to certain employees of the Group, at the exercise price of $0.28. Details of these options granted are as follows:

Exercisable date	Expiry date	Number of options
10/11/2021	09/11/2025	450,000
10/11/2021	09/11/2030	619,500
10/11/2022	09/11/2030	619,500
10/11/2023	09/11/2030	826,000
		2,515,000

No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted.

Pursuant to Rule 852 of the Listing Manual of Singapore Exchange Securities Trading Limited, it is reported that during the financial year:

(i) the Scheme 2002 is administered by the Remuneration Committee, comprising four directors, Mr Soh Ee Beng (Chairman), Mr Cecil Vivian Richard Wong, Mr Patrick Ng Bee Soon and Mr Fong Yue Kwong;

(ii) the options granted under the Scheme 2002 were granted without any discount; and

(iii) no options have been granted to controlling shareholders or their associates and no employee received 5% or more of the total options available under Scheme 2002.

No director is involved in discussions or decisions in respect of any remuneration, options or any form of benefits to be granted to him/her.

Directors' Statement (continued)

5. Options (continued)

Details of options granted and exercised under Scheme 2002 for directors of the Company are as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of Scheme 2002 to the end of financial year	Aggregate options exercised since commencement of Scheme 2002 to the end of financial year	Aggregate options lapsed since commencement of Scheme 2002 to the end of financial year	Aggregate options outstanding as at the end of financial year
Tay Siew Choon	150,000	2,384,400	(830,000)	(790,800)	763,600
Cecil Vivian Richard Wong	150,000	2,680,800	(1,440,000)	(477,200)	763,600
Soh Ee Beng	150,000	150,000	–	–	150,000
	450,000	5,215,200	(2,270,000)	(1,268,000)	1,677,200

6. Audit Committee

The Audit Committee (AC) carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance.

The AC has recommended to the Board of Directors the re-appointment of Ernst & Young LLP as the external auditor of the Company for the financial year ending 31 December 2021.

7. Auditor

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

On behalf of the Board of Directors,

Tay Siew Choon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
31 March 2021

Independent Auditor's Report

For the Financial Year ended 31 December 2020

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pan-United Corporation Ltd (the Company) and its subsidiaries (collectively, the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2020, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities* for the *Audit* of the *Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of Goodwill

As at 31 December 2020, the Group has goodwill arising from past acquisition in PT. Pacific Granitama of $2.1 million. Based on the annual impairment testing, the Group determined that the goodwill was impaired by $0.2 million as at 31 December 2020. In determining the recoverable amount of the cash-generating unit to which goodwill had been allocated to, the Group used the value-in-use calculations based on key assumptions related to future market and economic conditions such as economic growth, discount rate, revenue and margin estimates. Impairment assessment of goodwill involves significant management judgement about future results of the Group's business. In addition, there was an increase in the level of estimation uncertainty in determining the key assumptions arising from the volatility in market and economic conditions brought on by the Covid-19 pandemic. Accordingly, we identified this as a key audit matter.

Our audit procedures included, amongst others, evaluating the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results and considering the latest industry outlook and historical data. We discussed the impact of Covid-19 pandemic on PT. Pacific Granitama's operations with management to understand the basis for the key assumptions, such as revenue and margin estimates, used in the value-in-use calculations. We involved our internal specialist to assist us in evaluating the reasonableness of the discount rate applied in the value-in-use calculations. We also performed sensitivity analysis on certain key assumptions used in the Group's value-in-use calculations after considering the current market condition due to Covid-19.

We assessed the adequacy of the disclosures in Note 12 to the financial statements, including those key assumptions to which the outcome of the impairment test was most sensitive.

Independent Auditor's Report (continued)

Impairment Assessment of Trade Receivables

As at 31 December 2020, gross trade receivables of the Group and allowance for expected credit losses (ECL) amounted to $118.6 million and $5.4 million respectively. Trade receivables were significant to the Group as they represented 28% of the Group's total assets. The collectability of these trade receivables was a key element of the Group's working capital management and was managed on an ongoing basis by the management. The Group's process to measure loss allowance involves the use of significant management's estimates and assumptions about the risk of default and expected loss rates, which is based on the Group's historical credit loss experience, existing market conditions as well as forward-looking estimates at the end of each reporting period. In addition, there was an increase in the level of estimation uncertainty in determining the key assumptions arising from the volatility in market and economic conditions brought on by the Covid-19 pandemic. Accordingly, we identified this as a key audit matter.

Our audit procedures included, amongst others, obtaining an understanding of the Group's processes and related controls on the monitoring of the collectability of trade receivables as well as considering the impact of Covid-19 pandemic on the ageing profile of outstanding trade receivables. We requested trade receivable confirmations from major debtors and assessed their collectability by evaluating receipts after year-end. We also assessed management's determination of the expected impairment loss for overdue trade receivables, where applicable, through analysis of ageing of outstanding receivables, assessment of significant overdue individual trade receivables and specific customer profile and risks.

We assessed the Group's provisioning policy, which include testing whether the ECL provision is in accordance with SFRS(I) 9 by comparing against historical collection data and forward-looking information. We inquired and obtained explanations from management of the adjustments made to the key assumptions in response to the heightened level of estimation uncertainty.

We assessed the adequacy of the disclosures on the Group's trade receivables and its credit risk management process in Note 17 and Note 34c to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ong Beng Lee, Ken.

Ernst & Young LLP
Public Accountants and Chartered Accountants

Singapore
31 March 2021

Consolidated Income Statement

For the Financial Year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Revenue	4	**405,024**	768,258
Other income	5a	**7,344**	3,460
Raw materials, subcontract costs and other direct costs		**(320,194)**	(635,371)
Staff costs	6	**(32,547)**	(42,149)
Depreciation and amortisation expenses		**(23,840)**	(23,995)
Other expenses	5b	**(30,845)**	(39,832)
Finance costs	7	**(3,497)**	(5,266)
Share of results of associate		**289**	1,074
Profit before tax	5	**1,734**	26,179
Income tax expense	8	**(220)**	(5,250)
Profit for the year		**1,514**	20,929
Attributable to			
Equity holders of the Company		**1,036**	20,511
Non-controlling interests		**478**	418
		1,514	20,929
Earnings per share (cents per share)			
Basic	9	**0.15**	2.93
Diluted	9	**0.15**	2.93

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

Consolidated Statement of Comprehensive Income

For the Financial Year ended 31 December 2020

	2020 $'000	2019 $'000
Profit for the year	**1,514**	20,929
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Foreign currency translation	**(293)**	363
Fair value changes of derivatives	**(738)**	(785)
Fair value changes of other investments	**(152)**	(252)
Remeasurement of employee benefits obligation	**(74)**	–
Other comprehensive income for the year, net of tax	**(1,257)**	(674)
Total comprehensive income for the year	**257**	20,255
Attributable to		
Equity holders of the Company	**(95)**	19,817
Non-controlling interests	**352**	438
Total comprehensive income for the year	**257**	20,255

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

Balance Sheets

As at 31 December 2020

		Group	
	Note	**2020 $'000**	2019 $'000
Non-current assets			
Property, plant and equipment	10	**174,291**	189,603
Intangible assets	12	**6,467**	5,659
Associate	14	**3,677**	3,388
Other investments	15	**3**	155
Other receivables	17	**145**	168
Deferred tax assets	25	**976**	871
		185,559	199,844
Current assets			
Inventories	16	**23,908**	22,364
Prepayments		**1,596**	1,958
Trade and other receivables	17	**116,825**	159,686
Other assets	18	**6,867**	8,605
Cash and cash equivalents	19	**67,558**	49,646
		216,754	242,259
Current liabilities			
Loans and borrowings	20	**44,878**	57,829
Lease liabilities	21	**4,808**	6,621
Payables and accruals	22	**77,897**	83,710
Deferred income	23	**1,562**	324
Provisions	24	**1,090**	1,441
Income tax payable		**574**	6,095
Derivatives	26	**1,100**	362
		131,909	156,382
Net current assets		**84,845**	85,877
Non-current liabilities			
Loans and borrowings	20	**42,503**	49,064
Lease liabilities	21	**11,422**	15,624
Deferred tax liabilities	25	**7,345**	6,858
Employee benefits liability	27	**1,732**	–
Provisions	24	**4,402**	3,598
		67,404	75,144
Net assets		**203,000**	210,577
Equity attributable to equity holders of the Company			
Share capital	28a	**12,645**	12,645
Treasury shares	28b	**(295)**	(957)
Reserves		**182,339**	190,628
		194,689	202,316
Non-controlling interests		**8,311**	8,261
Total equity		**203,000**	210,577

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

		Company	
	Note	**2020 $'000**	2019 $'000
Non-current assets			
Property, plant and equipment	10	**57**	201
Intangible assets	12	**370**	370
Subsidiaries	13	**92,552**	92,552
Other investment	15	**–**	152
		92,979	93,275
Current assets			
Prepayments		**91**	80
Other receivables	17	**35,310**	28,466
Cash and cash equivalents	19	**38,560**	28,388
		73,961	56,934
Current liabilities			
Loans and borrowings	20	**19,947**	–
Payables and accruals	22	**33,508**	14,284
Deferred income	23	**88**	–
Income tax payable		**48**	114
Derivatives	26	**1,100**	362
		54,691	14,760
Net current assets		**19,270**	42,174
Non-current liability			
Loans and borrowings	20	**–**	19,867
Net assets		**112,249**	115,582
Equity attributable to equity holders of the Company			
Share capital	28a	**12,645**	12,645
Treasury shares	28b	**(295)**	(957)
Reserves		**99,899**	103,894
Total equity		**112,249**	115,582

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

Statements of Changes in Equity

For the Financial Year ended 31 December 2020

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital (Note 28a) $'000	Treasury shares (Note 28b) $'000	Foreign currency translation reserve (Note 30) $'000	Retained earnings $'000	Other reserves (Note 29) $'000	Total reserves $'000	$'000	$'000
Group 2020								
Balance at 1 January 2020	12,645	(957)	(1,243)	153,932	37,939	190,628	8,261	210,577
Profit for the year	–	–	–	1,036	–	1,036	478	1,514
Other comprehensive income								
Foreign currency translation	–	–	(182)	–	–	(182)	(111)	(293)
Fair value changes of derivatives	–	–	–	–	(738)	(738)	–	(738)
Fair value changes of other investments	–	–	–	–	(152)	(152)	–	(152)
Remeasurement of employee benefits obligation	–	–	–	(59)	–	(59)	(15)	(74)
Other comprehensive income for the year, net of tax	–	–	(182)	(59)	(890)	(1,131)	(126)	(1,257)
Total comprehensive income for the year	–	–	(182)	977	(890)	(95)	352	257
Contributions by and distributions to equity holders								
Share-based payment (share options) (Note 6)	–	–	–	–	(44)	(44)	–	(44)
Reissuance of treasury shares	–	662	–	–	(435)	(435)	–	227
Dividends on ordinary shares (Note 37)	–	–	–	(7,715)	–	(7,715)	–	(7,715)
Total transactions with equity holders in their capacity as equity holders	–	662	–	(7,715)	(479)	(8,194)	–	(7,532)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(302)	(302)
Balance at 31 December 2020	12,645	(295)	(1,425)	147,194	36,570	182,339	8,311	203,000

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

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital (Note 28a) $'000	Treasury shares (Note 28b) $'000	Foreign currency translation reserve (Note 30) $'000	Retained earnings $'000	Other reserves (Note 29) $'000	Total reserves $'000	$'000	$'000
Group 2019								
Balance at 1 January 2019	12,645	(957)	(1,586)	142,479	38,959	179,852	6,784	198,324
Profit for the year	–	–	–	20,511	–	20,511	418	20,929
Other comprehensive income								
Foreign currency translation	–	–	343	–	–	343	20	363
Fair value changes of derivatives	–	–	–	–	(785)	(785)	–	(785)
Fair value changes of other investments	–	–	–	–	(252)	(252)	–	(252)
Reclassification to fair value reserves	–	–	–	54	(54)	–	–	–
Other comprehensive income for the year, net of tax	–	–	343	54	(1,091)	(694)	20	(674)
Total comprehensive income for the year	–	–	343	20,565	(1,091)	19,817	438	20,255
Contributions by and distributions to equity holders								
Share-based payment (share options) (Note 6)	–	–	–	–	71	71	–	71
Issuance of preference shares to non-controlling interests in a subsidiary	–	–	–	–	–	–	1,536	1,536
Dividends on ordinary shares (Note 37)	–	–	–	(9,112)	–	(9,112)	–	(9,112)
Total transactions with equity holders in their capacity as equity holders	–	–	–	(9,112)	71	(9,041)	1,536	(7,505)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(497)	(497)
Balance at 31 December 2019	12,645	(957)	(1,243)	153,932	37,939	190,628	8,261	210,577

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

Statements of Changes in Equity (continued)

	Attributable to equity holders of the Company					Total equity
	Share capital (Note 28a) $'000	Treasury shares (Note 28b) $'000	Retained earnings $'000	Other reserves (Note 29) $'000	Total reserves $'000	$'000
Company 2020						
Balance at 1 January 2020	12,645	(957)	65,955	37,939	103,894	115,582
Profit for the year	–	–	5,089	–	5,089	5,089
Other comprehensive income						
Fair value changes of derivatives	–	–	–	(738)	(738)	(738)
Fair value changes of other investment	–	–	–	(152)	(152)	(152)
Other comprehensive income for the year, net of tax	–	–	–	(890)	(890)	(890)
Total comprehensive income for the year	–	–	5,089	(890)	4,199	4,199
Share-based payment (share options) (Note 6)	–	–	–	(44)	(44)	(44)
Reissuance of treasury shares	–	662	–	(435)	(435)	227
Dividends on ordinary shares (Note 37)	–	–	(7,715)	–	(7,715)	(7,715)
Balance at 31 December 2020	12,645	(295)	63,329	36,570	99,899	112,249
Company 2019						
Balance at 1 January 2019	12,645	(957)	56,244	38,959	95,203	106,891
Profit for the year	–	–	18,769	–	18,769	18,769
Other comprehensive income						
Fair value changes of derivatives	–	–	–	(785)	(785)	(785)
Fair value changes of other investment	–	–	–	(252)	(252)	(252)
Reclassification to fair value reserves	–	–	54	(54)	–	–
Other comprehensive income for the year, net of tax	–	–	54	(1,091)	(1,037)	(1,037)
Total comprehensive income for the year	–	–	18,823	(1,091)	17,732	17,732
Share-based payment (share options) (Note 6)	–	–	–	71	71	71
Dividends on ordinary shares (Note 37)	–	–	(9,112)	–	(9,112)	(9,112)
Balance at 31 December 2019	12,645	(957)	65,955	37,939	103,894	115,582

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

Consolidated Cash Flow Statement

For the Financial Year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit before tax		1,734	26,179
Adjustments for:			
Depreciation expenses	10	23,290	23,615
Amortisation of intangible assets	12	550	380
Amortisation of upfront fees	20	131	130
Interest income	5a	(451)	(380)
Interest expense	7	3,123	4,915
(Gain)/loss on disposal of property, plant and equipment, net	5	(6)	164
Bad debts written off		–	18
(Reversal of impairment)/impairment loss on trade receivables	5b	(277)	1,461
Reversal of provisions	24	(44)	(50)
Write-off of property, plant and equipment	5b	263	840
Write-off and impairment of intangible assets	5b	415	22
Share-based payment expenses	6	(44)	71
Share of results of associate		(289)	(1,074)
Foreign exchange differences		444	211
Operating cash flows before changes in working capital		28,839	56,502
Changes in working capital:			
Decrease/(increase) in trade and other receivables		43,161	(11,279)
Decrease/(increase) in prepayments		10	(133)
Increase in inventories		(1,544)	(71)
Decrease in other assets		1,738	1,654
(Decrease)/increase in payables, accruals, provisions and employee benefits liability		(5,857)	7,616
Increase/(decrease) in deferred income		1,238	(4,920)
Cash flows from operations		67,585	49,369
Interest paid		(3,088)	(4,915)
Income tax paid		(5,338)	(2,214)
Interest received		451	380
Net cash flows from operating activities		59,610	42,620
Cash flows from investing activities			
Additions to property, plant and equipment	Note A	(6,168)	(4,779)
Additions to intangible assets	12	(1,773)	(1,173)
Proceeds from disposal of property, plant and equipment		191	71
Dividend income from associate		–	764
Net cash flows used in investing activities		(7,750)	(5,117)
Cash flows from financing activities			
Proceeds from bank borrowings		71,661	76,984
Repayment of bank borrowings		(91,487)	(96,419)
Payment of principal portion of lease liabilities		(6,024)	(6,492)
Proceeds from reissuance of treasury shares		227	–
Dividends paid to shareholders	37	(7,715)	(9,112)
Dividends paid to non-controlling interests		(302)	(497)
Net cash flows used in financing activities		(33,640)	(35,536)
Net increase in cash and cash equivalents		18,220	1,967
Cash and cash equivalents as at beginning of year		49,646	47,894
Effects of exchange rate changes on opening cash and cash equivalents		(308)	(215)
Cash and cash equivalents as at end of year	19	67,558	49,646

	Note	2020 $'000	2019 $'000
Note A: Reconciliation of additions to property, plant and equipment			
Additions to property, plant and equipment	10	8,433	7,020
Less: Non-cash additions to right-of-use assets		(1,345)	(1,591)
Less: Provision for reinstatement cost during the financial year	24	(920)	(650)
		6,168	4,779

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

Notes to the Financial Statements

1. Corporate information

Pan-United Corporation Ltd (the Company) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 7 Temasek Boulevard, #16-01 Suntec Tower One, Singapore 038987.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and associate are disclosed in Note 13 and Note 14 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 (International) (SFRS(I)).

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 New accounting standards effective on 1 January 2020

The accounting policies adopted are consistent with those of the previous financial year except that 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 2020. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

Early adoption of Amendment to SFRS(I) 16 Leases: Covid-19-Related Rent Concessions

The Group has elected to early adopt the amendments to SFRS(I) 16 which introduced a practical expedient for a lessee to elect not to assess whether a rent concession is a lease modification, if all the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has elected to apply this practical expedient to all leases. As a result of applying the practical expedient, rent concessions of $1,136,000 (Note 5) was recognised as negative variable lease payments (i.e. reduction in rental expenses) in the profit or loss during the year.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 9 Financial Instruments, SFRS(I) 1-39 Financial Instruments: Recognition and Measurement, SFRS(I) 7 Financial Instruments: Disclosures, SFRS(I) 4 Insurance Contracts, SFRS(I) 16 Leases: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to SFRS(I) 1-16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
SFRS(I) 17 Insurance contracts	1 January 2023
Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors expect that the adoption of the abovementioned standards will not have a material impact on the financial statements in the year of initial application.

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:

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

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.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

b) Business combinations and goodwill

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.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

The financial statements are presented in 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 Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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

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

Leasehold land (includes land use rights)	–	Over the remaining lease terms
Leasehold buildings	–	Over the remaining lease terms
Plant and machinery	–	5 to 50 years
Office furniture and equipment	–	3 to 10 years
Motor vehicles	–	5 to 10 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

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

2.8 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	–	3 to 20 years
Leasehold building	–	3 to 5 years
Plant and machinery	–	3 to 5 years
Motor vehicles and other equipment	–	3 to 5 years

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subjected to impairment. Refer to the accounting policy in Note 2.10 on the impairment of non-financial assets.

The Group presents right-of-use assets under 'property, plant and equipment' in the balance sheet.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Details of the Group's lease liabilities are disclosed in Note 21.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease exemption to its short-term leases of machinery and equipment (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.23c.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful lives and amortisation method are reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

(a) Import quota (other assets)

Import quota costs are recognised as an intangible asset when the Group can demonstrate that the cost to secure the quota is separable, its control over the import quota and how the import quota will generate future economic benefits.

(b) Developed technology and product development costs

Research costs are expensed as incurred. Development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Development costs have a finite useful life and are amortised over the period of expected sales or usage from the related project (ranging from 5 to 10 years) on a straight-line basis.

(c) Club memberships

Club memberships relate to the entrance fees paid for the right to use the facilities of the club. Club memberships are carried at cost less any impairment loss.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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

Impairment losses are recognised in profit or loss.

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. Impairment losses relating to goodwill cannot be reversed in future periods.

2.11 Subsidiaries

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

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

2.12 Associate

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 accounts for its investment in associate 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 associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The profit or loss reflects the share of results of the operations of the associate.

Distributions received from associate reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, 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 associate.

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

2.13 Deferred income

Deferred income relates to voyages-in-progress. Deferred income is credited into profit or loss as revenue when the Group satisfies the respective performance obligations.

Deferred income from voyages-in-progress is recognised as revenue using the percentage of completion method. The Group satisfies the performance obligation over time, with the customer simultaneously receiving and consuming the benefits as the Group renders the service.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

(i) Investment in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement category for classification of debt instruments is at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through amortisation process.

(ii) Investment in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

(iii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in OCI.

De-recognition

A financial asset is de-recognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in OCI for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired. On de-recognition, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

The Group assesses on a forward looking basis the ECL associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience. Details are outlined in Note 34c.

2.16 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.

2.17 Inventories

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

Cost is assigned using 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 the estimated costs necessary to make the sale.

When necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value to the lower of cost and net realisable value.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 Government grants

Government grants are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred income on the balance sheet and is recognised as income in equal amounts over the expected useful life of the related asset.

Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs for which the grants are intended to compensate are expensed. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as 'other income'. Alternatively, they are deducted in reporting the related expenses.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.20 Hedge accounting

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

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while any ineffective portion is recognised immediately in profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments. Refer to Note 26 for more details.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

When a cash flow hedge is discontinued, the cumulative gain or loss previously recognised in other comprehensive income will remain in the cash flow hedge reserve until the future cash flows occur if the hedged future cash flows are still expected to occur or reclassified to profit or loss immediately if the hedged future cash flows are no longer expected to occur.

2.21 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.

2.22 Employee benefits

(a) Defined contribution plan

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) Defined benefit plan

The Group operates a defined benefit liability plan in Indonesia under the Indonesian Labour Law. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurement on net defined benefit liabilities, which is recognised as other comprehensive income, consists of:

- actuarial gains and losses;
- return on plan asset, excluding amounts included in net interest on the net defined benefit liability; and
- any change in the effect of asset ceiling, excluding amounts included in net interest on the net defined benefit liability.

Remeasurement on net defined benefit liabilities are not reclassified to profit or loss in subsequent periods.

(c) Employee share option plans

The Company has in place the Pan-United Share Option Scheme (Scheme 2002) for granting of options (equity-settled transactions) to eligible directors and employees of the Group to subscribe for shares in the Company. Details of the Scheme 2002 are disclosed in Note 6.

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.

(d) Employee leave entitlement

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

2.23 Revenue

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue is measured based on the consideration to which the Group expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that no significant reversal of revenue will occur once associated uncertainties are resolved.

The amount of variable consideration is calculated by using either the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds 12 months and the financing benefit either to the customer or the Group is significant.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Group reasonably estimates them, primarily by using historical reference values. Revenue is recognised for each performance obligation either at a point in time or over time.

(a) Sale of goods

Revenue from sale of goods is recognised when the Group satisfies the performance obligation at a point in time, which is when the control of the promised goods has been transferred to the customer, depending on the contractual terms and the practices in the legal jurisdictions. 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 using the percentage of completion method as the Group satisfies the performance obligation over time. The customer simultaneously receives and consumes the benefits as the Group renders the service.

(c) Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term. 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)

2.24 Dividend and interest income

Dividend income is recognised in profit or loss when the Group's right to receive payment has been established.

Interest income is recognised in profit or loss, as it accrues, using the effective interest method.

2.25 Taxes

(a) Current income tax

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

Current income taxes are recognised in profit or loss except to the extent that the taxes relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unutilised tax credits and unutilised 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 unutilised tax credits and unutilised tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

2.26 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 36, including the factors used to identify the reportable segments and the measurement basis of segmental information.

2.27 Share capital and share issuance expenses

(a) Ordinary shares

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.

(b) Preference shares issued to non-controlling interests of a subsidiary

Preference shares are classified as equity as they are redeemable at the discretion of the issuer (a subsidiary of the Group).

2.28 Treasury shares

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

2.29 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Notes to the Financial Statements (continued)

3. 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 revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement which has an effect on the amounts recognised in the consolidated financial statements:

Estimating variable consideration for sale of goods

In estimating the variable consideration for the sale of goods (i.e., concrete), the Group uses the expected value method to estimate the variable price component. The variable price component is pegged to a monthly price index, which is published one to two months subsequent to month-end. Management relies on latest available price index to estimate the variable price component of the last two months of the financial reporting period end.

Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. Management has taken into consideration of both the likelihood and magnitude in its assessment on the probability of a significant revenue reversal. Based on historical experience, it is highly probable that a significant reversal in the cumulative amount of revenue recognised will not occur when the actual price index is published subsequent to the financial reporting period end.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward looking information. At every reporting date, historical default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Information about the ECL on the Group's trade receivables is disclosed in Note 34c.

The carrying amount of trade receivables as at 31 December 2020 is disclosed in Note 17.

(b) Impairment of goodwill

Management assesses for indicators of impairment of goodwill at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated. The value-in-use calculation is based on a discounted cash flow model. 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 12.

The carrying amount of goodwill as at 31 December 2020 is disclosed in Note 12.

4. Revenue

	Group	
	2020	2019
	$'000	$'000
Sale of goods	**394,047**	759,851
Rendering of services	**10,977**	8,407
	405,024	768,258

Disaggregation of revenue

Disaggregation of the Group's revenue is detailed in Note 36a.

Timing of transfer of goods or services (by business segments)

- Concrete and Cement: at a point in time.
- Trading and Shipping: timing of transfer of goods for trading activities is at a point in time, while timing of transfer of services for shipping activities is over time.

5. Profit before 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 tax:

	Group	
	2020	2019
	$'000	$'000
(a) Other income		
Agency and brokerage income	**741**	869
Gain on disposal of property, plant and equipment	**6**	–
Government grant*	**5,094**	1,016
Interest income from financial assets	**451**	380
(b) Other expenses		
Usage of equipment, maintenance and consumables	**14,784**	18,978
Land rental and other related expenses**	**3,844**	5,337
Expenses relating to short-term leases	**926**	285
Expenses relating to leases of low-value assets	**13**	4
Utilities and telecommunication charges	**5,145**	5,650
(Reversal of impairment)/impairment loss on trade receivables	**(277)**	1,461
Marketing expenses	**342**	692
Professional fees	**802**	949
Write-off of property, plant and equipment	**263**	840
Write-off and impairment of intangible assets	**415**	22
Loss on disposal of property, plant and equipment	**–**	164
Insurance expenses	**330**	314
Audit fees paid to Auditor of the Company	**259**	258
Non-audit fees paid to Auditor of the Company	**–**	16

* Grant income of $2,785,000 (2019: Nil) was recognised during the financial year under the Jobs Support Scheme (JSS). JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

** Included within land rental and other related expenses are Covid-19-related rent concessions received from lessors of $1,136,000 (2019: Nil) to which the Group applied the practical expedient as disclosed in Note 2.2.

Notes to the Financial Statements (continued)

6. Staff costs

	Group 2020 $'000	2019 $'000
Staff costs (including directors)		
Salaries, allowances and bonuses	**27,508**	35,016
Central Provident Fund and other retirement contribution plans	**2,212**	2,848
Share-based payment (share options)	**(44)**	71
Other personnel-related expenses	**2,871**	4,214
	32,547	42,149

Share option scheme

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

(i) The grantee has to be at least 21 years of age, 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.

	2020 No. of share options	2020 WAEP/ Adjusted WAEP ($)	2019 No. of share options	2019 WAEP Adjusted WAEP ($)
Outstanding at beginning of year	**14,578,400**	**0.55/0.38**	12,898,800	0.60/0.40
Granted during the year (Note a)	**2,515,000**	**0.28**	2,365,000	0.345
Exercised during the year (Note b)	**(768,000)**	**0.37/0.30**	–	–
Forfeited during the year	**(2,299,700)**	**0.64/0.42**	(685,400)	0.78/0.50
Outstanding at end of year (Note c)	**14,025,700**	**0.50/0.36**	14,578,400	0.55/0.38
Exercisable at end of year	**9,556,200**	**0.59/0.39**	9,789,900	0.60/0.41

Notes:

(a) The weighted average fair value of options granted during the year was $0.08 (2019: $0.08).

(b) The weighted average share price at the dates of exercise for the options exercised during the year was $0.30. No options were exercised in 2019.

(c) The range of exercise prices for options outstanding at the end of the year was $0.27 to $0.58 (2019: $0.27 to $0.58) after adjustment pursuant to the de-merger/capital reduction. The weighted average remaining contractual life for these options is 6 years (2019: 6 years).

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

	2020	2019
Dividend yield (%)	**3.77**	3.77
Expected volatility (%)	**39.50**	37.20
Risk-free interest rate (%)	**0.29**	1.62
Average expected life of option (years)	**4.55**	4.52
Share price ($) at grant date	**0.285**	0.345

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.

7. Finance costs

	Group 2020 $'000	2019 $'000
Interest expense on loans and borrowings	**2,735**	4,451
Interest expense on lease liabilities (Note 21)	**353**	464
Interest expense on provisions	**35**	–
Bank charges	**374**	351
	3,497	5,266

8. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	Group 2020 $'000	2019 $'000
Consolidated income statement		
Current income tax		
Current income taxation	**483**	6,402
Over provision in respect of previous years	**(645)**	(114)
Deferred income tax		
Origination and reversal of temporary differences	**369**	(538)
Over provision in respect of previous years	**(30)**	(547)
Provision for withholding tax on undistributed earnings of foreign associate	**43**	47
Income tax expense recognised in profit or loss	**220**	5,250

(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 2020 and 2019 are as follows:

	Group 2020 $'000	2019 $'000
Profit before tax	**1,734**	26,179
Tax at the domestic rates applicable to profits in the countries where the Group operates	**92**	4,250
Adjustments:		
Non-deductible expenses	**953**	1,626
Effect of partial tax exemption and tax incentives	**(94)**	(211)
Income not subject to taxation	**(477)**	(175)
Over provision in respect of previous years	**(675)**	(661)
Provision for withholding tax on undistributed earnings of foreign associate	**43**	47
Deferred tax assets not recognised	**515**	455
Others	**(137)**	(81)
Income tax expense recognised in profit or loss	**220**	5,250

Notes to the Financial Statements (continued)

9. Earnings per share

Basic earnings per share is calculated by dividing the Group's profit for the year, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the Group's profit for the year, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares under the Scheme 2002 into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2020 $'000	2019 $'000
Profit for the year attributable to equity holders of the Company used in the computation of earnings per share	**1,036**	20,511
	2020 No. of shares '000	2019 No. of shares '000
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share computation	**701,654**	700,886
Effect of dilution on share options	**114**	97
Weighted average number of ordinary shares (excluding treasury shares) for diluted earnings per share computation	**701,768**	700,983
Basic and diluted earnings per share (cents per share)	**0.15**	2.93

10. Property, plant and equipment

Group	Leasehold land $'000	Leasehold buildings $'000	Plant and machinery $'000	Other assets $'000	Construction-in-progress $'000	Total $'000
Cost						
At 1 January 2019	7,991	26,799	223,097	11,518	2,933	272,338
Recognition of right-of-use assets on initial application of SFRS(I) 16 (Note 12)	26,863	271	–	33	–	27,167
Adjusted balance at 1 January 2019	34,854	27,070	223,097	11,551	2,933	299,505
Additions	263	3	4,122	2,420	212	7,020
Disposals	–	(1)	(301)	(174)	–	(476)
Write-off	–	–	(2,849)	(289)	–	(3,138)
Reclassification	2,750	–	(1,714)	205	(1,241)	–
Exchange differences	(19)	24	114	507	12	638
At 31 December 2019 and 1 January 2020	37,848	27,096	222,469	14,220	1,916	303,549
Additions	1,543	414	3,461	2,463	552	8,433
Disposals	–	–	(335)	(1,703)	–	(2,038)
Write-off	(16)	–	(1,720)	(92)	–	(1,828)
Reclassification	–	62	1,257	–	(1,319)	–
Others	187	–	–	–	–	187
Exchange differences	(26)	(51)	(347)	(578)	(6)	(1,008)
At 31 December 2020	39,536	27,521	224,785	14,310	1,143	307,295
Accumulated depreciation						
At 1 January 2019	3,842	5,672	81,444	1,328	–	92,286
Depreciation charge for the year	6,477	951	13,690	2,497	–	23,615
Disposals	–	(1)	(69)	(171)	–	(241)
Write-off	–	–	(2,034)	(264)	–	(2,298)
Reclassification	1,090	–	(1,086)	(4)	–	–
Exchange differences	(9)	30	186	377	–	584
At 31 December 2019 and 1 January 2020	11,400	6,652	92,131	3,763	–	113,946
Depreciation charge for the year	7,288	983	12,501	2,518	–	23,290
Disposals	–	–	(319)	(1,534)	–	(1,853)
Write-off	(6)	–	(1,479)	(80)	–	(1,565)
Others	25	–	–	–	–	25
Exchange differences	(12)	(39)	(324)	(464)	–	(839)
At 31 December 2020	18,695	7,596	102,510	4,203	–	133,004
Net carrying amount						
At 31 December 2019	26,448	20,444	130,338	10,457	1,916	189,603
At 31 December 2020	20,841	19,925	122,275	10,107	1,143	174,291

Notes to the Financial Statements (continued)

10. Property, plant and equipment (continued)

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

Included in property, plant and equipment is right-of-use assets amounting to $17,566,000 relating to leased assets. Details of the leased assets are disclosed in Note 11.

Assets pledged as security

The Group's property, plant and equipment with a carrying amount of $57,673,000 (2019: $59,270,000) are mortgaged to secure the Group's bank loans (Note 20).

Company	Other assets $'000
Cost	
At 1 January 2019	872
Additions	18
Disposal	(7)
At 31 December 2019 and 1 January 2020	883
Additions	30
Disposal	(248)
At 31 December 2020	665
Accumulated depreciation	
At 1 January 2019	624
Depreciation charge for the year	65
Disposal	(7)
At 31 December 2019 and 1 January 2020	682
Depreciation charge for the year	52
Disposal	(126)
At 31 December 2020	608
Net carrying amount	
At 31 December 2019	201
At 31 December 2020	57

Other assets comprise mainly motor vehicles, office furniture and equipment.

11. Leases

Group as a lessee under SFRS(I) 16

The Group has lease contracts for various leasehold land, building, motor vehicles, plant and machinery and other assets used in its operations. The Group's obligations under these leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets included in property, plant and equipment and the movements during the year:

Group	Leasehold land $'000	Leasehold buildings $'000	Plant and machinery $'000	Other assets $'000	Total $'000
At 1 January 2019	26,863	271	–	33	27,167
Additions	194	–	108	1,322	1,624
Depreciation charge for the year	(6,409)	(60)	(4)	(337)	(6,810)
Reclassification from property, plant and equipment	1,659	–	–	–	1,659
Exchange differences	(20)	–	–	–	(20)
At 31 December 2019	22,287	211	104	1,018	23,620
Additions	858	12	–	475	1,345
Depreciation charge for the year	(7,052)	(65)	(21)	(409)	(7,547)
Write-off	(10)	–	–	(11)	(21)
Remeasurement of right-of-use assets	(190)	–	–	–	(190)
Others	352	–	–	–	352
Exchange differences	12	(6)	–	1	7
At 31 December 2020	16,257	152	83	1,074	17,566

The following are the amounts recognised in profit or loss:

	Group	
	2020 $'000	2019 $'000
Depreciation expense on right-of-use assets	**7,547**	6,810
Interest expense on lease liabilities	**353**	464
Expenses relating to short-term leases	**926**	285
Expenses relating to leases of low-value assets	**13**	4
	8,839	7,563

In 2020, the Group had total cash out flows for leases of $6,377,000 (2019: $6,956,000) and non-cash additions to right-of-use assets of $1,345,000 (2019: $1,624,000) and lease liabilities of $1,345,000 (2019: $1,591,000).

Notes to the Financial Statements (continued)

12. Intangible assets

Group	Goodwill $'000	Developed technology $'000	Product development costs $'000	Club memberships $'000	Total $'000
Cost					
At 1 January 2019	2,345	2,562	–	432	5,339
Additions:					
Internal development	–	1,137	36	–	1,173
Write-off	–	(22)	–	–	(22)
At 31 December 2019	2,345	3,677	36	432	6,490
Additions:					
Internal development	–	1,759	14	–	1,773
Impairment/Write-off	(220)	(195)	–	–	(415)
At 31 December 2020	2,125	5,241	50	432	7,848
Accumulated amortisation					
At 1 January 2019	–	399	–	52	451
Amortisation for the year	–	380	–	–	380
At 31 December 2019 and 1 January 2020	–	779	–	52	831
Amortisation for the year	–	544	6	–	550
At 31 December 2020	–	1,323	6	52	1,381
Net carrying amount					
At 31 December 2019	2,345	2,898	36	380	5,659
At 31 December 2020	2,125	3,918	44	380	6,467

Company	Club memberships $'000
Cost and net carrying amount	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	370

The Group's developed technology has an average remaining amortisation period of 2 to 10 years (2019: 2 to 8 years) as at the financial year ended 31 December 2020.

As at 31 December 2020, goodwill amounting to $2,125,000 (2019: $2,345,000) arose from the acquisition of equity interests in PT. Pacific Granitama.

Impairment testing of goodwill

The recoverable amount was determined based on value-in-use calculations using the cash flow projections from financial budgets approved by Management.

The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections are as follows:

	2020	2019
Growth rates	**0 – 44% (a)**	0 – 15% (b)
Pre-tax discount rate	**14%**	12%

(a) 2021: 44% and 2022 onwards: 1 – 2%
Growth rate of 2021 has been forecasted at 44% as the production volume is expected to increase with an expected increase in demand for aggregate and dust in Singapore as the industry recovers from the low base in 2020 due to the Covid-19 pandemic.

(b) 2020: 15% and 2021 onwards: 0%
Growth rate of 2020 has been forecasted at 15% as the production volume is expected to increase with an expected increase in demand for aggregate and dust in Singapore and revenue is projected to be held constant from 2021 onwards.

Key assumptions used in the value-in-use calculations

The calculations of value-in-use are most sensitive to the following assumptions:

Growth rates – the forecasted growth rates are based on Management's best estimate and do not exceed the long-term growth rates for the industry relevant to the cash-generating unit (CGU).

Pre-tax discount rate – Discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Sensitivity to changes in assumptions

Management has performed sensitivity tests on the respective growth rates and pre-tax discount rate. Based on the value-in-use calculations, an impairment loss of $220,000 (2019: Nil) is recognised for the financial year ended 31 December 2020.

13. Subsidiaries

	Company **2020** $'000	Company 2019 $'000
Unquoted equity shares, at cost	**10,052**	10,052
Amounts due from subsidiaries	**82,500**	82,500
	92,552	92,552

The amounts due from subsidiaries are non-trade in nature, unsecured and non-interest bearing. Repayments are at the sole discretion of the respective subsidiaries and are to be settled in cash.

Details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding held by the Group **2020** %	Effective shareholding held by the Group 2019 %
Held by the Company:			
Pan-United Industries Pte. Ltd. (Singapore)	Trading and supply of refined petroleum products, ready-mix concrete and granite aggregate	100	100
Pan-United Investments Pte. Ltd. (Singapore)	Investment holding	100	100
PanU Harmony Pte. Ltd. (Singapore)	Trading and provision of shipping services	100	100
United Bulk Shipping Pte. Ltd. (Singapore)	Provision of shipping services	51	51
GoTruck Holdings Pte. Ltd. (Singapore)	Investment holding, information technology and computer service activities	97	97
Pan-United Technologies Pte. Ltd. (Singapore)	Technology and computer service activities	100	100
Pan-United Digital Solutions Pte. Ltd. (Singapore)	Investment holding, information technology and computer service activities	100	100

Notes to the Financial Statements (continued)

13. Subsidiaries (continued)

Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding held by the Group 2020 %	2019 %
Held through subsidiaries:			
Pan-United Concrete Pte. Ltd. (Singapore)	Manufacture and supply of ready-mix concrete and related products	100	100
Raffles Concrete Pte. Ltd. (Singapore)	Manufacture and supply of ready-mix concrete and related products	100	100
United Cement Pte. Ltd. (Singapore)	Cement silo operator, cement trading and distribution	100	100
Raffles Cement Pte. Ltd. (Singapore)*	Cement silo operator, cement trading and distribution	49	49
Fico Pan-United Concrete Joint Stock Company (Vietnam)	Manufacture and supply of ready-mix concrete and related products	55	55
PT. Pan-United Concrete (Indonesia)	Manufacture and supply of ready-mix concrete and related products	100	100
Meridian Maplestar Sdn. Bhd. (Malaysia)	Manufacture and trading of basic building materials	100	100
Fortis Star Sdn. Bhd. (Malaysia)	Manufacture and supply of ready-mix concrete and related products	100	100
Pan-United Asphalt Pte. Ltd. (Singapore)	Production of asphalt, building and repairing of roadways	100	100
PT. Pacific Granitama (Indonesia)*	Quarry operator	49	49
Blue Star Services Sdn. Bhd. (Malaysia)^	Quarry operator	–	100
Pan-United Resources Pte. Ltd. (Singapore)	Investment holding and general trading	100	100
Pan-United Bulk Trade (2010) Pte. Ltd. (Singapore)	Investment holding and general trading	100	100
Resources Development (2010) Pte. Ltd. (Singapore)	Investment holding and general trading	100	100
Cresco Development Pte. Ltd. (Singapore)	Investment holding and general trading	100	100
Salvus Development Pte. Ltd. (Singapore)	Investment holding and general trading	100	100
Pan-United International Pte. Ltd. (Singapore)	Investment holding	100	100
GoTruck Pte. Ltd. (Singapore)	Technology and computer service activities	97	97
AiR Digital Solutions Pte. Ltd. (Singapore)	Software consultancy, information technology and computer service activities	100	100
Blue Marble Sustainability Technologies Pte. Ltd. (Singapore)#	Marketing and provision of sustainable technology solutions	100	–
Blue Marble Sustainability Sdn. Bhd. (Malaysia)#	Marketing and provision of sustainable technology solutions	100	–

Ernst & Young LLP, Singapore is the auditor of all significant Singapore-incorporated subsidiaries. Other member firms of EY Global are auditors of significant foreign-incorporated subsidiaries.

PT Pan-United Concrete is not considered significant to be audited as defined under Rule 718 of the listing manual of SGX-ST.

* 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.

^ On 18 December 2020, Blue Star Services Sdn. Bhd. was liquidated.

\# On 8 January 2020 and 17 March 2020, the Company incorporated two indirect wholly-owned subsidiaries, Blue Marble Sustainability Technologies Pte. Ltd. and Blue Marble Sustainability Sdn. Bhd. respectively.

14. Associate

The Group's investment in associate is summarised below:

	Group 2020 $'000	2019 $'000
PT. Lanna Harita Indonesia	3,677	3,388

Name of associate (Country of incorporation)	Principal activity	Percentage of equity interest 2020 %	2019 %
PT. Lanna Harita Indonesia (Indonesia)	Coal mining	10	10

Although the Group holds less than 20% of the ownership interest and voting control of PT. Lanna Harita Indonesia (PT. Lanna), the Group has the ability to exercise significant influence through both its shareholding and its nominated director's participation on PT. Lanna's Board of Directors. The results of PT. Lanna were accounted for using the equity method in the consolidated financial statements.

The associate is audited by a member firm of EY Global in Indonesia.

The summarised financial information of PT. Lanna, and a reconciliation with the carrying amount of the investment in the consolidated financial statements is as follows:

	2020 $'000	2019 $'000
Summarised balance sheet		
Current assets	28,925	28,426
Non-current assets	30,870	38,057
Total assets	59,795	66,483
Current liabilities	13,896	22,830
Non-current liabilities	8,465	8,340
Total liabilities	22,361	31,170
Net assets	37,434	35,313
Proportion of Group's ownership	10%	10%
Group's share of net assets	3,743	3,531
Other adjustments	(66)	(143)
Carrying amount of the investment	3,677	3,388
Summarised statement of comprehensive income		
Revenue	107,668	153,249
Profit after tax, representing total comprehensive income	2,894	10,741

Notes to the Financial Statements (continued)

15. Other investments

The fair value of the investments in equity instruments designated at fair value through other comprehensive income (FVOCI) at the end of the reporting period is as follows:

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Fair value through other comprehensive income				
Unquoted equity investments	**3**	155	**–**	152

The Group has elected to measure these equity investments at FVOCI due to the Group's intention to hold these equity investments for long-term appreciation.

16. Inventories

	Group	
	2020 $'000	2019 $'000
Balance sheet		
Raw materials	**15,276**	13,123
Finished goods	**5,630**	5,910
Consumables	**3,002**	3,331
	23,908	22,364
Consolidated income statement		
Inventories recognised as an expense in raw materials, subcontract costs and other direct costs	**239,637**	519,965

17. Trade and other receivables

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Current				
Trade receivables	**113,273**	156,079	**–**	–
Amounts due from subsidiaries	**–**	–	**35,005**	27,891
Refundable deposits	**1,690**	1,744	**1**	2
Sundry receivables	**1,862**	1,863	**304**	573
	116,825	159,686	**35,310**	28,466
Non-current				
Refundable deposits	**145**	168	**–**	–
Total trade and other receivables	**116,970**	159,854	**35,310**	28,466
Add: Cash and cash equivalents (Note 19)	**67,558**	49,646	**38,560**	28,388
Total financial assets carried at amortised cost	**184,528**	209,500	**73,870**	56,854

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.

Trade receivables from customers that are insured by trade credit insurance underwritten by reputable insurers amount to $71,128,000 (2019: $85,898,000) at the end of the reporting period.

Amounts due from subsidiaries

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.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follows:

	Group	
	2020 $'000	2019 $'000
At 1 January	**5,936**	5,133
(Reversal)/charge for the year	**(235)**	1,867
Written off	**(351)**	(1,064)
At 31 December	**5,350**	5,936

18. Other assets

Other assets relate to import quota as a right to import from traditional sources which is regulated by the Building and Construction Authority (BCA) in Singapore. BCA has an Importers' Licensing Scheme which applies to any person in the business of importing sand and granite. This scheme regulates importers of essential construction materials to ensure a secure and reliable supply in Singapore of acceptable quality. Under this scheme, the Group is required to import certain prescribed percentage from non-traditional sources before it is allowed to import the remaining from traditional sources.

19. Cash and cash equivalents

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Cash at banks and on hand	**66,105**	49,353	**38,560**	28,388
Short-term deposits	**1,453**	293	**–**	–
	67,558	49,646	**38,560**	28,388

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. Cash at banks earned interest at the average of 0.01% to 1.25% (2019: 0.10% to 1.57%) per annum. The effective interest rate of short-term deposits ranged from 4.75% to 5.70% (2019: 0.50% to 6.80%) per annum.

20. Loans and borrowings

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Current				
Secured (Note a)	**10,805**	17,990	**–**	–
Unsecured (Note b)	**34,073**	39,839	**19,947**	–
	44,878	57,829	**19,947**	–
Non-current				
Secured (Note c)	**12,600**	14,345	**–**	–
Unsecured (Note d)	**29,903**	34,719	**–**	19,867
	42,503	49,064	**–**	19,867
Total loans and borrowings (excluding lease liabilities)	**87,381**	106,893	**19,947**	19,867

Notes to the Financial Statements (continued)

20. Loans and borrowings (continued)

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

(a) Details of the current secured bank loans are as follows:

(i) $2,482,000 (2019: $13,121,000) is denominated in Vietnamese Dong and bears interest of 4.75% to 5.70% (2019: 5.20% to 6.80%) per annum.

(ii) $8,323,000 (2019: $4,869,000) is denominated in Malaysia Ringgit and bears interest from 3.87% to 5.13% (2019: 5.06% to 5.28%) per annum.

(b) Details of the current unsecured bank loans are as follows:

(i) $31,000,000 (2019: $36,000,000) is denominated in Singapore Dollars and bears interest of 0.95% to 2.68% (2019: 1.94% to 2.75%) per annum.

$30,947,000 (2019: Nil) is the net amount of the total current unsecured bank loans after unamortised upfront fees of $53,000 (2019: Nil) were set off against them.

(ii) $3,126,000 (2019: $3,839,000) is denominated in Malaysia Ringgit and bears interest of 3.48% to 5.06% (2019: 4.92% to 5.15%) per annum.

(c) The non-current secured bank loan of $12,600,000 (2019: $14,345,000) is denominated in Malaysia Ringgit and bears interest of 3.81% to 5.13% (2019: 5.10% to 5.32%) per annum. The loan is repayable between 2022 and 2024.

(d) The non-current unsecured bank loan of $30,000,000 (2019: $35,000,000) is denominated in Singapore Dollars and bears interest, comprising fixed and variable components, of 1.47% to 2.90% (2019: 2.83% to 3.33%) per annum.

The loan is repayable in 2022. The Group had paid one-time upfront fees to secure the bank loans and this amount will be amortised throughout the loan contract period. As at 31 December 2020, the remaining unamortised upfront fees were $97,000 (2019: $281,000) and were netted off against the total non-current unsecured bank loan with the net amount being $29,903,000 (2019: $34,719,000).

A reconciliation of liabilities arising from financing activities is as follows:

	1 January 2020	Cash flows	Non-cash changes: Amortisation of upfront fees	Additions to right-of-use assets	Accretion of interest	Foreign exchange movement	Rent concession	Other	31 December 2020
	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Bank loans									
Current	57,829	(34,826)	80	–	–	191	–	21,604	44,878
Non-current	49,064	15,000	51	–	–	(8)	–	(21,604)	42,503
	106,893	(19,826)	131	–	–	183	–	–	87,381
Lease liabilities (Note 21)									
Current	6,621	(1,598)	–	573	–	(4)	(1,136)	352	4,808
Non-current	15,624	(4,779)	–	772	353	5	–	(553)	11,422
	22,245	(6,377)	–	1,345	353	1	(1,136)	(201)	16,230
Total	129,138	(26,203)	131	1,345	353	184	(1,136)	(201)	103,611

The 'other' column relates to reclassification of non-current to current portion of bank loans and lease liabilities due to passage of time and remeasurement of lease liabilities.

	1 January 2019	Cash flows	Non-cash changes: Amortisation of upfront fees	Additions to right-of-use assets	Accretion of interest	Foreign exchange movement	Other	31 December 2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans								
Current	62,274	(4,446)	–	–	–	(214)	215	57,829
Non-current	64,192	(14,989)	130	–	–	(54)	(215)	49,064
	126,466	(19,435)	130	–	–	(268)	–	106,893
Lease liabilities (Note 21)								
Current	6,571	(6,492)	–	754	–	(8)	5,796	6,621
Non-current	20,596	(464)	–	837	464	(13)	(5,796)	15,624
	27,167	(6,956)	–	1,591	464	(21)	–	22,245
Total	153,633	(26,391)	130	1,591	464	(289)	–	129,138

The 'other' column relates to reclassification of non-current to current portion of bank loans and lease liabilities due to passage of time.

21. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group 2020 $'000	Group 2019 $'000
At 1 January	**22,245**	27,167
Additions	**1,345**	1,591
Interest expense on lease liabilities	**353**	464
Payments	**(6,377)**	(6,956)
Rent concessions	**(1,136)**	–
Remeasurement of lease liabilities	**(201)**	–
Exchange differences	**1**	(21)
At 31 December	**16,230**	22,245
Current	**4,808**	6,621
Non-current	**11,422**	15,624

The maturity analysis of lease liabilities is disclosed in Note 34d.

22. Payables and accruals

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Payables and accruals (current)				
Trade payables	**66,148**	67,241	**–**	–
Other payables	**6,625**	4,615	**227**	226
Accruals	**5,124**	11,854	**929**	1,456
Amount due to subsidiaries	**–**	–	**32,352**	12,602
Total payables and accruals	**77,897**	83,710	**33,508**	14,284
Less: Sales tax payables	**(1,724)**	(1,034)	**(42)**	(87)
Add: Loans and borrowings (Note 20)	**87,381**	106,893	**19,947**	19,867
Add: Lease liabilities (Note 21)	**16,230**	22,245	**–**	–
Total financial liabilities carried at amortised cost	**179,784**	211,814	**53,413**	34,064

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.

Notes to the Financial Statements (continued)

23. Deferred income

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Income recognisable within 12 months				
Voyages-in-progress	**–**	324	**–**	–
Government grant	**1,562**	–	**88**	–
	1,562	324	**88**	–

24. Provisions

	Group Reinstatement cost	
	2020 $'000	2019 $'000
At 1 January	**5,039**	5,112
Recognised during the year	**920**	650
Utilised	**(423)**	(673)
Unused amounts reversed	**(44)**	(50)
At 31 December	**5,492**	5,039
Current	**1,090**	1,441
Non-current	**4,402**	3,598

Provision for reinstatement cost is determined based on past experience. Reinstatement costs are capitalised in property, plant and equipment and amortised over the lease periods for leasehold land or useful life of the related plant and machinery accordingly.

25. Deferred tax

Deferred tax as at 31 December relates to the following:

(a) **Deferred tax liabilities**

	Group	
	2020 $'000	2019 $'000
At 1 January	**6,858**	7,704
Origination and reversal of temporary differences	**444**	(893)
Provision for withholding tax on undistributed earnings of foreign associate	**43**	47
At 31 December	**7,345**	6,858
The deferred tax liabilities principally arise as a result of:		
Excess of net book value over tax written down value of property, plant and equipment	**7,054**	6,610
Provision for withholding tax on undistributed earnings of foreign associate	**291**	248
	7,345	6,858

(b) **Deferred tax assets**

	Group	
	2020 $'000	2019 $'000
At 1 January	**871**	679
Origination and reversal of temporary differences	**105**	192
At 31 December	**976**	871
The deferred tax assets principally arise as a result of:		
Provisions	**976**	871

Unrecognised tax losses and capital allowances

At the end of the reporting period, the Group has unutilised tax losses of $6,666,000 (2019: $5,804,000) and unutilised capital allowances of $2,852,000 (2019: $1,315,000) that are available for offset against future taxable profits of the companies in which the losses and capital allowances arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Amongst the total tax losses, $5,012,000 (2019: $5,012,000) of tax losses can only be carried forward for a maximum of 7 consecutive years of assessment (YA), which will expire in YA2026. The capital allowances have no expiry date.

Tax consequences of proposed dividends

There are no income tax consequences (2019: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 37).

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2019: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $1,612,000 (2019: $1,092,000). The deferred tax liability is estimated to be $322,000 (2019: $225,000).

26. Derivatives

	Group and Company					
	2020			2019		
	Contract/ Notional amount $'000	**Asset $'000**	**Liability $'000**	Contract/ Notional amount $'000	Asset $'000	Liability $'000
Forward currency contracts	**60,559**	**–**	**1,100**	71,959	–	362

Forward currency contracts are used to hedge foreign currency risk arising from the Group's purchases denominated in United States Dollar.

27. Employee benefits liability

A subsidiary of the Group has defined benefit retirement plans covering substantially all of their qualified permanent employees.

Provision for employee benefits consists of retirement, severance, service payment and other benefits as required by the Indonesian Labour Law which is calculated by an independent actuary as at 31 December 2020, using the projected unit credit method and the following assumptions:

Discount rate	:	6.61% (2019: 7.67%)
Salary increment rate	:	10% per annum
Mortality rate	:	Table Mortality Indonesia IV-2019 (2019: Table Mortality Indonesia III – 2011)
Disability rate	:	10% of Mortality rate
Normal pension age	:	55 years
Voluntary resignation	:	10% up to the age of 18-29, 5% at age 30-39, 3% at age 40-44, 2% at age 45-49, 1% at age 50-54

Total employee benefits liability is as follows:

	Group	
	2020 $'000	2019 $'000
Present value of employee benefits obligation	**1,732**	1,384
At 31 December	**1,732**	1,384

As at 31 December 2019, employee benefits liability amounting to $1,384,000 was classified under 'Payables and accruals' in the balance sheet.

Notes to the Financial Statements (continued)

27. Employee benefits liability (continued)

Movement of employee benefits liability is as follows:

	Group 2020 $'000	Group 2019 $'000
At 1 January	**1,384**	1,096
Employee benefits expense	**336**	310
Benefits paid	**(41)**	(146)
Actuarial loss recognised	**95**	94
Foreign exchange differences	**(42)**	30
At 31 December	**1,732**	1,384

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group Defined benefit obligation Increase $'000	Group Defined benefit obligation Decrease $'000
2020		
Discount rate (1% movement)	**190**	**(161)**
Salary rate (1% movement)	**182**	**(158)**
2019		
Discount rate (1% movement)	155	(132)
Salary rate (1% movement)	150	(131)

The expected benefits payments in the future years are as follows (unaudited) as at 31 December 2020 and 31 December 2019:

	Group 2020 $'000	Group 2019 $'000
1 year or less	**145**	51
Between 2 and 5 years	**622**	605
Over 5 years	**20,678**	22,616
	21,445	23,272

28. Share capital and treasury shares

	Group and Company 2020 No. of shares '000	2020 $'000	2019 No. of shares '000	2019 $'000
(a) Share capital				
Issued and fully paid ordinary shares				
At 1 January and 31 December	**701,996**	**12,645**	701,996	12,645

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 restrictions. The ordinary shares have no par value.

	Group and Company 2020 No. of shares '000	2020 $'000	2019 No. of shares '000	2019 $'000
(b) Treasury shares				
At 1 January	**(1,110)**	**(957)**	(1,110)	(957)
Reissued for cash:				
- On exercise of employee share options	**768**	**662**	–	–
At 31 December	**(342)**	**(295)**	(1,110)	(957)

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

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

The Company reissued 768,000 (2019: Nil) treasury shares pursuant to Scheme 2002 during the current financial year.

29. Other reserves

	Group and Company 2020 $'000	Group and Company 2019 $'000
Employee share option reserve (Note a)	**1,103**	1,202
(Loss)/gain on reissuance of treasury shares	**(129)**	251
Fair value reserve	**(458)**	(306)
Hedging reserve	**(1,100)**	(362)
Distribution in specie	**37,154**	37,154
	36,570	37,939

(a) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 6). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

	Group and Company 2020 $'000	Group and Company 2019 $'000
At 1 January	**1,202**	1,131
Share-based payment (share options)	**(44)**	71
Reissuance of treasury shares	**(55)**	–
At 31 December	**1,103**	1,202

(b) (Loss)/gain on reissuance of treasury shares

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

	Group and Company 2020 $'000	Group and Company 2019 $'000
At 1 January	**251**	251
Loss on reissuance of treasury shares	**(380)**	–
At 31 December	**(129)**	251

Notes to the Financial Statements (continued)

30. 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	
	2020	2019
	$'000	$'000
At 1 January	**(1,243)**	(1,586)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**(182)**	343
At 31 December	**(1,425)**	(1,243)

31. Commitments

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

	Group	
	2020	2019
	$'000	$'000
Capital commitments in respect of plant and machinery	**69**	147

32. Related party disclosures

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

(a) Sale and purchase of goods and services

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

	Group	
	2020	2019
	$'000	$'000
Transactions with companies related to directors		
Rental income	**63**	66

Balances with related companies as at 31 December 2020 and 31 December 2019 are set out in Note 17 and Note 22.

(b) Compensation of key management personnel

	Group	
	2020	2019
	$'000	$'000
Short-term employee benefits	**2,606**	3,462
Central Provident Fund contributions	**34**	66
	2,640	3,528
Comprise amounts paid to:		
Directors of the Company	**428**	964
Other key management personnel	**2,212**	2,564
	2,640	3,528

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, 450,000 share options were granted to non-executive directors at an exercise price of $0.28 each and exercisable between 10 November 2021 and 9 November 2025 under Scheme 2002.

33. Fair value of assets and liabilities

(a) 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 that the Group can access at the measurement date;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Unobservable inputs for the asset or liability.

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

There have been no transfers between Level 1 to Level 3 fair value measurements as at 31 December 2020 and 31 December 2019.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of liabilities measured at fair value at the end of the reporting period using significant observable inputs other than quoted prices (Level 2):

		Group and Company	
		2020	2019
	Note	**$'000**	$'000
Financial liability			
Derivatives:			
- Forward currency contracts	26	**1,100**	362

The following table shows an analysis of assets measured at fair value at the end of the reporting period using significant unobservable inputs (Level 3):

		Group	
		2020	2019
	Note	**$'000**	$'000
Financial asset			
Held through FVOCI:			
- Unquoted equity instruments	15	**3**	155

		Company	
		2020	2019
	Note	**$'000**	$'000
Financial asset			
Held through FVOCI:			
- Unquoted equity instruments	15	**–**	152

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for liabilities that are categorised within Level 2 of the fair value hierarchy:

Forward currency contracts

Forward currency contracts are valued using a valuation technique with market observable inputs. These inputs include foreign exchange spot and forward rates and forward rate curves.

Notes to the Financial Statements (continued)

33. Fair value of assets and liabilities (continued)

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Equity securities at FVOCI

The fair values of unquoted equity securities are determined based on the fair values of the underlying assets and liabilities of the investee company.

(ii) Movements in Level 3 assets measured at fair value

The following table presents the reconciliation for unquoted equity securities which are measured at fair value based on significant unobservable inputs:

	Group	
	2020 $'000	2019 $'000
At 1 January	**155**	407
Fair value loss recognised in other comprehensive income	**(152)**	(252)
At 31 December	**3**	155

	Company	
	2020 $'000	2019 $'000
At 1 January	**152**	404
Fair value loss recognised in other comprehensive income	**(152)**	(252)
At 31 December	**–**	152

(e) Financial instruments whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, payables and accruals (excluding sales tax payable) approximate their fair value due to their short-term nature.

Management has determined that the carrying amounts of lease liabilities approximate their fair values as the implicit interest rates approximate the market interest rates prevailing at the financial year end.

Management has determined that the carrying amounts of loans and borrowings approximate their fair values as they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

34. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivative financial instruments, comprise loans and borrowings, cash and cash equivalents. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost efficient.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from the Group's investment portfolio and long term debt obligations. The Group does not use derivative financial instruments to hedge its investment portfolio. The Group's practice is to manage interest cost using a mix of fixed and floating rate borrowings.

Sensitivity analysis for interest rate risk

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

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax $'000**
Year ended 31 December 2020		
Singapore Dollar	100	(610)
Malaysia Ringgit	100	(240)
Vietnamese Dong	100	(25)
Singapore Dollar	(100)	610
Malaysia Ringgit	(100)	240
Vietnamese Dong	(100)	25
Year ended 31 December 2019		
Singapore Dollar	100	(710)
Malaysia Ringgit	100	(231)
Vietnamese Dong	100	(131)
Singapore Dollar	(100)	710
Malaysia Ringgit	(100)	231
Vietnamese Dong	(100)	131

(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 Singapore Dollar, United States Dollar (USD), Malaysia Ringgit, Indonesian Rupiah and Vietnamese Dong.

The Group also holds cash and cash equivalents denominated in currency other than Singapore Dollar for working capital purposes. As at the balance sheet date, foreign currency balances denominated in USD amounted to $14,505,000 (2019: $9,472,000).

Sensitivity analysis for foreign currency risk

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

		Group	
		Profit before tax	
		2020 $'000	2019 $'000
USD/SGD	– strengthened 3% (2019: 3%)	**435**	284
	– weakened 3% (2019: 3%)	**(435)**	(284)

Notes to the Financial Statements (continued)

34. Financial risk management objectives and policies (continued)

(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 cash and cash equivalents), 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 ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments when they fall due after a prolonged period, or when the debtor is in significant financial difficulties or liquidation.

The Group considers available reasonable and supportive forward looking information which includes the following indicators:

- Internal credit evaluation;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations; and
- Actual or expected significant changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments after a prolonged period, or when the debtor is in significant financial difficulties or liquidation. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about trade receivables.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 17.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring its trade receivables by business segment on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2020		2019	
	$'000	**% of total**	$'000	% of total
By business segment:				
Concrete and Cement	**112,762**	**100**	155,896	100
Trading and Shipping	**511**	**NM**	183	NM
	113,273	**100**	156,079	100

NM: Not Meaningful

At the end of the reporting period, there is no significant concentration of credit risk. The good credit history of these customers reduces the risk to the Group to an acceptable level.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The allowance for impairment as at 31 December 2020 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix, grouped by geographical region:

31 December 2020	**Current $'000**	**1 to 30 days past due $'000**	**31 to 60 days past due $'000**	**61 to 90 days past due $'000**	**91 to 120 days past due $'000**	**More than 120 days past due $'000**	**Total $'000**
Singapore:							
Gross carrying amount	**48,109**	**33,466**	**11,823**	**155**	**2**	**3,963**	**97,518**
Allowance for impairment	**–**	**(1)**	**–**	**–**	**–**	**(3,744)**	**(3,745)**
Net carrying amount	**48,109**	**33,465**	**11,823**	**155**	**2**	**219**	**93,773**
Other geographical areas:							
Gross carrying amount	**11,806**	**2,750**	**1,101**	**959**	**411**	**4,078**	**21,105**
Allowance for impairment	**–**	**(1)**	**–**	**(3)**	**–**	**(1,601)**	**(1,605)**
Net carrying amount	**11,806**	**2,749**	**1,101**	**956**	**411**	**2,477**	**19,500**
31 December 2019							
Singapore:							
Gross carrying amount	54,602	44,228	20,117	3,216	291	4,101	126,555
Allowance for impairment	–	(13)	(19)	(13)	(7)	(3,922)	(3,974)
Net carrying amount	54,602	44,215	20,098	3,203	284	179	122,581
Other geographical areas:							
Gross carrying amount	16,489	5,202	3,282	2,308	1,451	6,728	35,460
Allowance for impairment	–	(26)	(36)	(83)	(50)	(1,767)	(1,962)
Net carrying amount	16,489	5,176	3,246	2,225	1,401	4,961	33,498

Information regarding allowance for impairment movement of trade receivables is disclosed in Note 17.

Amounts due from subsidiaries

The Company assessed the latest performance and financial position of the subsidiaries, adjusted for the future outlook of the industry in which the subsidiaries operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using lifetime expected credit loss and determined that the expected credit loss is insignificant.

(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 mitigate the effects of fluctuations in cash flows. At the end of the financial year, 51% (2019: 54%) of the Group's loans and borrowings (Note 20) will mature in less than one year.

Notes to the Financial Statements (continued)

34. Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations, including interest payments.

	Group			
31 December 2020	**1 year or less $'000**	**Between 1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial assets				
Trade and other receivables	**116,825**	**145**	**–**	**116,970**
Cash and cash equivalents	**67,558**	**–**	**–**	**67,558**
Total undiscounted financial assets	**184,383**	**145**	**–**	**184,528**
Financial liabilities				
Payables and accruals (excluding sales tax payables)	**76,173**	**–**	**–**	**76,173**
Lease liabilities	**4,905**	**8,773**	**3,246**	**16,924**
Loans and borrowings	**45,795**	**43,741**	**–**	**89,536**
Total undiscounted financial liabilities	**126,873**	**52,514**	**3,246**	**182,633**
Total net undiscounted financial assets/(liabilities)	**57,510**	**(52,369)**	**(3,246)**	**1,895**
31 December 2019				
Financial assets				
Trade and other receivables	159,686	168	–	159,854
Cash and cash equivalents	49,646	–	–	49,646
Total undiscounted financial assets	209,332	168	–	209,500
Financial liabilities				
Payables and accruals (excluding sales tax payables)	82,676	–	–	82,676
Lease liabilities	6,958	12,558	4,059	23,575
Loans and borrowings	59,574	52,058	–	111,632
Total undiscounted financial liabilities	149,208	64,616	4,059	217,883
Total net undiscounted financial assets/(liabilities)	60,124	(64,448)	(4,059)	(8,383)

	Company			
31 December 2020	**1 year or less $'000**	**Between 1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial assets				
Trade and other receivables	**35,310**	**–**	**–**	**35,310**
Cash and cash equivalents	**38,560**	**–**	**–**	**38,560**
Total undiscounted financial assets	**73,870**	**–**	**–**	**73,870**
Financial liabilities				
Payables and accruals (excluding sales tax payables)	**33,466**	**–**	**–**	**33,466**
Loans and borrowings	**20,021**	**–**	**–**	**20,021**
Total undiscounted financial liabilities	**53,487**	**–**	**–**	**53,487**
Total net undiscounted financial assets	**20,383**	**–**	**–**	**20,383**
31 December 2019				
Financial assets				
Trade and other receivables	28,466	–	–	28,466
Cash and cash equivalents	28,388	–	–	28,388
Total undiscounted financial assets	56,854	–	–	56,854
Financial liabilities				
Payables and accruals (excluding sales tax payables)	14,197	–	–	14,197
Loans and borrowings	567	20,412	–	20,979
Total undiscounted financial liabilities	14,764	20,412	–	35,176
Total net undiscounted financial assets/(liabilities)	42,090	(20,412)	–	21,678

35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using net gearing ratio, which is calculated as net debt (loans and borrowings, including lease liabilities, less cash and cash equivalents) divided by total equity.

	Group	
	2020 $'000	2019 $'000
Net debt	**36,053**	79,492
Total equity	**203,000**	210,577
Net gearing ratio	**0.18**	0.38

The Group is in compliance with all externally imposed capital requirements for the years ended 31 December 2020 and 31 December 2019.

36. Segment information

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

(a) The Concrete and Cement segment supplies mainly cement, granite, aggregates, ready-mix concrete, slag and refined petroleum products to the construction industry, with operations in Singapore, Vietnam, Malaysia and Indonesia.

(b) The Trading and Shipping segment relates to coal trading, bulk shipping and agency operations.

(c) Others relate to companies which are of investment holding in 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.

Notes to the Financial Statements (continued)

36. Segment information (continued)

(a) Business segments

The following tables present revenue and results information regarding the Group's business segments for the years ended 31 December 2020 and 31 December 2019.

	Concrete and Cement $'000	Trading and Shipping $'000	Others $'000	Eliminations $'000	Group $'000
31 December 2020					
Revenue					
External sales	388,111	16,913	–	–	405,024
Inter-segment sales	–	1,785	–	(1,785)	–
Total revenue	388,111	18,698	–	(1,785)	405,024
Results					
Segment results	32,345	932	(5,320)	–	27,957
Interest income	421	–	30	–	451
Depreciation expenses	(22,991)	(2)	(297)	–	(23,290)
Amortisation of intangible assets	(77)	–	(473)	–	(550)
Interest expense	(2,749)	–	(374)	–	(3,123)
Share of results of associate	–	–	289	–	289
Profit/(loss) before tax	6,949	930	(6,145)	–	1,734
Income tax credit/(expense)	134	(98)	(256)	–	(220)
Profit/(loss) for the year	7,083	832	(6,401)	–	1,514
Attributable to:					
Equity holders of the Company	6,960	477	(6,401)	–	1,036
Non-controlling interests	123	355	–	–	478
	7,083	832	(6,401)	–	1,514
Balance Sheet					
Segment assets	342,911	2,706	46,552	–	392,169
Investment in associate	–	–	3,677	–	3,677
Intangible assets	2,900	–	3,567	–	6,467
Total assets	345,811	2,706	53,796	–	402,313
Segment liabilities	108,096	886	2,950	–	111,932
Loans and borrowings	67,434	–	19,947	–	87,381
Total liabilities	175,530	886	22,897	–	199,313
Other segment information					
Additions to non-current assets	8,548	2	1,656	–	10,206

	Concrete and Cement $'000	Trading and Shipping $'000	Others $'000	Eliminations $'000	Group $'000
31 December 2019					
Revenue					
External sales	617,328	150,930	–	–	768,258
Inter-segment sales	–	4,210	–	(4,210)	–
Total revenue	617,328	155,140	–	(4,210)	768,258
Results					
Segment results	58,271	2,482	(7,118)	–	53,635
Interest income	249	–	131	–	380
Depreciation expenses	(23,338)	(2)	(275)	–	(23,615)
Amortisation of intangible assets	(32)	–	(348)	–	(380)
Interest expense	(4,311)	–	(604)	–	(4,915)
Share of results of associate	–	–	1,074	–	1,074
Profit/(loss) before tax	30,839	2,480	(7,140)	–	26,179
Income tax expense	(4,738)	(204)	(308)	–	(5,250)
Profit/(loss) for the year	26,101	2,276	(7,448)	–	20,929
Attributable to:					
Equity holders of the Company	25,998	1,961	(7,448)	–	20,511
Non-controlling interests	103	315	–	–	418
	26,101	2,276	(7,448)	–	20,929
Balance Sheet					
Segment assets	389,972	6,411	36,673	–	433,056
Investment in associate	–	–	3,388	–	3,388
Intangible assets	2,976	–	2,683	–	5,659
Total assets	392,948	6,411	42,744	–	442,103
Segment liabilities	116,435	3,949	4,249	–	124,633
Loans and borrowings	87,026	–	19,867	–	106,893
Total liabilities	203,461	3,949	24,116	–	231,526
Other segment information					
Additions to non-current assets	5,622	–	944	–	6,566

(b) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively for the years ended 31 December 2020 and 31 December 2019 are as follows:

	Revenue		Non-current assets	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Singapore	**496,716**	794,447	**109,955**	122,833
China	**4,187**	141,094	**–**	–
Others	**75,318**	91,344	**75,604**	77,011
Eliminations	**(171,197)**	(258,627)	**–**	–
Total	**405,024**	768,258	**185,559**	199,844

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

Notes to the Financial Statements (continued)

37. Dividends

	Group and Company 2020 $'000	2019 $'000
Declared and paid during the year		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for year ended 2019: 1.10 cents (2018: 0.80 cents) per share	**7,715**	5,607
Interim exempt (one-tier) dividend for year ended 2020: Nil (2019: 0.50 cents) per share	**–**	3,505
	7,715	9,112
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
Final exempt (one-tier) dividend for year ended 2020: 0.80 cents (2019: 1.10 cents) per share	**5,613**	7,715
Dividend per share (in cents)	**0.80**	1.60

38. Authorisation of financial statements

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 31 March 2021.

Statistics Of Shareholdings

As at 31 March 2021

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

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	16	0.15	572	-
100 - 1,000	3,033	28.45	2,944,155	0.42
1,001 - 10,000	5,595	52.48	24,390,413	3.47
10,001 - 1,000,000	1,989	18.66	96,592,605	13.77
1,000,001 and above	28	0.26	577,726,080	82.34
	10,661	100.00	701,653,825	100.00

	No. of shares in which shareholder has an interest			
Substantial shareholders	**Direct Interest**	%**	**Deemed Interest**	%**
1. Ng Han Whatt	6,750,000	0.96	420,700,037	59.96
2. Ng Bee Bee	-	-	408,375,002	58.20
3. Jane Kimberly Ng Bee Kiok	-	-	408,809,502	58.26

Notes

The deemed interests of Mr Ng Han Whatt, Ms Ng Bee Bee and Ms Jane Kimberly Ng Bee Kiok include their shareholdings held as joint shareholders and the full shareholdings of BOS Trustee Limited held in nominees.

Based on information available to the Company as at 31 March 2021, approximately 26.10% of the issued ordinary shares of the Company are held by the public and, therefore, Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

Twenty Largest Shareholders	No. of shares	%**
1. Citibank Nominees Singapore Pte Ltd	212,570,150	30.30
2. Ng Han Whatt, Jane Kimberly Ng Bee Kiok and Ng Bee Bee	191,250,000	27.26
3. Phillip Securities Pte Ltd	46,777,613	6.67
4. DBS Nominees (Private) Limited	38,279,238	5.45
5. Patrick Ng Bee Soon	34,962,037	4.98
6. BNP Paribas Nominees Singapore Pte Ltd	7,344,748	1.05
7. Ng Han Whatt	6,750,000	0.96
8. United Overseas Bank Nominees (Private) Limited	3,971,110	0.56
9. UOB Kay Hian Private Limited	3,138,850	0.45
10. OCBC Nominees Singapore Private Limited	2,673,905	0.38
11. OCBC Securities Private Limited	2,543,850	0.36
12. Lee Cheong Seng	2,500,000	0.36
13. Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,338,265	0.33
14. Raffles Nominees (Pte.) Limited	2,253,500	0.32
15. Ch'ng Jit Koon	1,960,000	0.28
16. Lee Boon Wah	1,940,000	0.28
17. Phua Bah Lee	1,831,250	0.26
18. HSBC (Singapore) Nominees Pte Ltd	1,663,900	0.24
19. Tan Wai See	1,589,500	0.23
20. Chan Wai Mun	1,432,500	0.20
	567,770,416	80.92

* Ordinary shares purchased and held as treasury shares by the Company will have no voting rights. As at 31 March 2021, the Company has 342,000 shares held as treasury shares and this represents approximately 0.05% against the total number of issued shares excluding treasury shares as at that date. The Company has no subsidiary holdings.

** The percentage is calculated based on the number of issued ordinary shares of the Company as at 31 March 2021, excluding 342,000 shares held as treasury shares as at that date.

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of Pan-United Corporation Ltd. (Company) will be convened and held by way of electronic means on Friday, 30 April 2021 at 2.30 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020, together with the Auditor's Report thereon. **Resolution 1**

2. To declare a final dividend of $0.008 per ordinary share (one-tier tax exempt) for the financial year ended 31December 2020. **Resolution 2**

3. To re-elect Ms Jane Kimberly Ng Bee Kiok, a director who will retire in accordance with Regulation 88 of the Constitution of the Company and who, being eligible, has offered herself for re-election. **Resolution 3**
[See Explanatory Note 1(a)]

4. To re-elect Mr Tay Siew Choon, a director who will retire by rotation in accordance with Regulation 89 of the Constitution of the Company and who, being eligible, has offered himself for re-election. **Resolution 4**
[See Explanatory Note 1(b)]

5. To note the retirement of Mr Cecil Vivian Richard Wong as a director of the Company under Regulations 89 and 90 of the Constitution, who has decided not to seek re-election. Upon his retirement, Mr Wong will relinquish his position as Chairman of the Audit Committee, and will cease to be a member of the Remuneration Committee.

6. To approve the payment of directors' fees of $257,500 for the financial year ending 31 December 2021 (2020: $369,173). **Resolution 5**

7. To re-appoint Ernst & Young LLP as the auditor of the Company for the financial year ending 31 December 2021 and to authorise the directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS

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

8. That contingent upon the passing of Ordinary Resolution 4 above, members to approve the continued appointment of Mr Tay Siew Choon, as an Independent Director, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST). **Resolution 7**
[See Explanatory Note 1(c)]

9. That contingent upon the passing of Ordinary Resolution 7 above, members (excluding the Directors and Chief Executive Officer (CEO) of the Company, and associates of such Directors and CEO), to approve Mr Tay Siew Choon's continued appointment as an Independent Director, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST. **Resolution 8**
[See Explanatory Note 1(c)]

10. Authority To Issue Shares **Resolution 9**
"That authority be and is hereby given, pursuant to Section 161 of the Singapore Companies Act, Chapter 50 (the Companies Act) and Rule 806 of the listing manual (the Listing Manual) of Singapore Exchange Securities Trading Limited (the SGX-ST), to the directors of the Company to:

a i issue shares in the capital of the Company (Shares) whether by way of rights, bonus, or otherwise; and/or

ii make or grant offers, agreements or options (collectively, Instruments) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and

b (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the directors while this Resolution was in force,

provided that:

A the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of any Instruments made or granted pursuant to this Resolution) does not exceed 50 per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph B below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of any Instruments made or granted pursuant to this Resolution) does not exceed 10 per centum (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph B below);

B (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph A above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

i new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards; and

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

provided that adjustments in accordance with i and ii above are only made in respect of new shares arising from convertible securities, share options, or share awards which were issued and outstanding or subsisting at the time this Resolution is passed.

C in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being; and

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

[See Explanatory Note 2]

11. Renewal Of Share Buyback Mandate **Resolution 10**
"That:

a for the purposes of the Companies Act, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary Shares not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

i market purchase(s) (each a Market Purchase) on the SGX-ST; and/or

ii off-market purchase(s) (each an Off-Market Purchase) in accordance with any equal access scheme(s) as may be determined or formulated by the directors of the Company, as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the Share Buyback Mandate);

b the authority conferred on the directors of the Company pursuant to the Share Buyback Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

i the date on which the next Annual General Meeting is held or required by law to be held;

ii the date on which the share buybacks by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

iii the date on which the authority contained in the Share Buyback Mandate is revoked or varied by the Company in a general meeting;

Notice Of Annual General Meeting (continued)

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 during such five (5)-Trading Day period and the day on which the Market Purchase was made);

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

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

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

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

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

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

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

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

[See Explanatory Note 3]

ANY OTHER BUSINESS

12. To transact any other business that may be transacted at an Annual General Meeting.

By Order of the Board

Kevin Cho
Company Secretary

Singapore
15 April 2021

Explanatory Notes

1. The Board of Directors, in consultation with the Nominating Committee, recommends to members the re-election of Ms Jane Kimberly Ng Bee Kiok and Mr Tay Siew Choon as directors of the Company:

(a) Ms Jane Kimberly Ng Bee Kiok was appointed as a Non-Executive Director of the Company on 22 March 2021. Regulation 88 of the Constitution provides that a person appointed by the directors at any time shall hold office until the next AGM and shall be eligible for re-election. Ms Ng has consented to offer herself for re-election as a director of the Company.

(b) Mr Tay Siew Choon (Chairman, Independent Director), who is due to retire by rotation in accordance with Regulation 89 of the Constitution and being eligible, has consented to offer himself for re-election as a director of the Company.

Regulation 89 of the Constitution provides that every director shall retire from office at least once every three (3) years. A retiring director shall be eligible for re-election.

(c) Rule 210(5)(d)(iii), which takes effect from 1 January 2022, states that a director will not be independent if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such directors and chief executive officer.

In consideration that Mr Tay Siew Choon has served on the Board beyond nine years and is due for retirement by rotation at the AGM, the Board decided to adopt Rule 210(5)(d)(iii) ahead of its effective date. Accordingly, Mr Tay Siew Choon will be subject to the above two-tier voting mechanism at the AGM for his continued appointment as an independent director of the Company.

Consequently, upon the passing of Ordinary Resolutions 4, 7 and 8, Mr Tay Siew Choon will continue to serve as Independent Director, until the earlier of his retirement or resignation; or the conclusion of the third annual general meeting following the passing of Ordinary Resolutions 4, 7 and 8.

Mr Tay Siew Choon, will, upon his re-election as an Independent Director of the Company, remain as Chairman of the Board, Chairman of the Executive Committee and the Nominating Committee and a Member of the Audit Committee. Mr Tay is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Detailed information of Ms Jane Kimberly Ng Bee Kiok and Mr Tay Siew Choon can be found under the "Board of Directors" and "The information required under Rule 720(6) and Appendix 7.4.1 of the SGX-ST Listing Manual in respect of directors seeking re-elction at the coming Annual General Meeting" in the Report on Corporate Governance in the Company's Annual Report 2020.

2. Resolution 9, if passed, will empower the directors of the Company, from the date of the passing of Resolution 9 to the date of the next Annual General Meeting to issue Shares and/or to make or grant Instruments that might require Shares to be issued, and to issue Shares in pursuance of such Instruments, up to a limit of 50 per centum (50%) of the total number of issued Shares, excluding treasury shares and subsidiary holdings, with a sub-limit of 10 per centum (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) for issues made other than on a pro rata basis to shareholders, calculated as described in Resolution 9.

Although the Constitution and the Listing Manual enable the Company to seek a mandate to permit its directors to issue Shares up to a limit of 50 per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) if made on a pro rata basis to shareholders, and up to a sub-limit of 20 per centum (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) for issues made other than on a pro rata basis to shareholders, the Company is nonetheless only seeking a sub-limit of 10 per centum (10%) for issues made other than on a pro rata basis to shareholders. The directors believe that the lower limit sought for the issuance of Shares made other than on a pro rata basis to shareholders is adequate for the time being as it sufficiently addresses the Company's present need to maintain flexibility while taking into account shareholders' concerns against dilution. The directors will review this limit annually.

3. Resolution 10, if passed, is to renew the Share Buyback Mandate that will empower the directors of the Company to exercise all powers of the Company to purchase or otherwise acquire issued and fully paid ordinary Shares on the terms and subject to the conditions of Resolution 10. Please refer to the letter to Shareholders dated 15 April 2021 for details.

RECORD AND PAYMENT DATES FOR FINAL DIVIDEND. The Share Transfer Books and Register of Members of the Company will be closed on 18 May 2021 at 5.00 p.m. for the preparation of dividend warrants. Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 by 5.00 p.m. on 18 May 2021 will be registered before entitlements to the proposed final dividend are determined. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 18 May 2021 will be entitled to the proposed final dividend. The final dividend, if approved at the forthcoming Annual General Meeting, will be paid on 28 May 2021.

Notes

(a) The Annual General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, and as amended by COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendment No. 3) Order 2020. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on SGXNet and the Company's website at the URL https://panunited.listedcompany.com/home.html and also be made available on SGXNet at the URL https://www.sgx.com/securities/company-announcements.

(b) Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (in particular, arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Company in advance of the Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting, are set out in the accompanying Company's announcement dated 15 April 2021. This announcement may be accessed at the Company's website at the URL https://panunited.listedcompany.com/home.html and will also be made available on SGXNet at the URL https://www.sgx.com/securities/company-announcements.

(c) Due to the current COVID-19 situation in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting. The accompanying proxy form for the Annual General Meeting may be accessed at the Company's website at the URL https://panunited.listedcompany.com/home.html and will also be made available on SGXNet at the URL https://www.sgx.com/securities/company-announcements.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstention from voting, in respect of a Resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as a proxy for that Resolution will be treated as invalid.

CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective Agent Banks or SRS Operators to submit their votes by 2.30 p.m. on 20 April 2021.

(d) The Chairman of the Meeting, as proxy, need not be a member of the Company.

(e) The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

(i) if submitted by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

(ii) if submitted electronically, be submitted via email to the Company Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at srs.teamd@boardroomlimited.com, in either case, not less than 72 hours before the time appointed for the Annual General Meeting.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation, members are strongly encouraged to submit completed proxy forms electronically via email.

(f) The Annual Report 2020 may be accessed at the Company's website at the URL https://panunited.listedcompany.com/home.html.

Personal data privacy

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy 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 or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

Pan-United Corporation Ltd
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