

# PAN-UNITED CORPORATION LTD

(Company Reg No: 199106524G)

THIRD QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2008

## PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

	Group			Group		
	3Q 2008	3Q 2007	+ /(-)	YTD 2008	YTD 2007	+ /(-)
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Revenue</b>	<b>155,000</b>	<b>117,692</b>	<b>32</b>	<b>408,051</b>	<b>313,146</b>	<b>30</b>
Other income	3,969	1,302	205	8,195	6,534	25
Raw materials, subcontract costs and other direct costs	(119,849)	(87,690)	37	(304,332)	(226,852)	34
Staff costs	(4,884)	(6,022)	(19)	(13,751)	(18,793)	(27)
Depreciation expenses	(3,531)	(3,769)	(6)	(10,425)	(10,120)	3
Other expenses	(12,645)	(8,452)	50	(33,557)	(25,073)	34
Finance costs	(1,849)	(1,454)	27	(5,125)	(3,977)	29
	<b>16,211</b>	<b>11,607</b>	<b>40</b>	<b>49,056</b>	<b>34,865</b>	<b>41</b>
Share of results of associates	185	362	(49)	671	776	(14)
<b>Profit before income tax</b>	<b>16,396</b>	<b>11,969</b>	<b>37</b>	<b>49,727</b>	<b>35,641</b>	<b>40</b>
Income tax	(2,477)	(1,917)	29	(8,027)	(6,801)	18
<b>Profit for the period</b>	<b>13,919</b>	<b>10,052</b>	<b>38</b>	<b>41,700</b>	<b>28,840</b>	<b>45</b>
<b>Attributable to:</b>						
Equity holders of the Company	12,456	8,202	52	37,387	23,620	58
Minority interests	1,463	1,850	(21)	4,313	5,220	(17)

### Notes to the income statement

A. Profit before income tax is arrived at after crediting/ (charging) the following:	Group			Group		
	3Q 2008	3Q 2007	+ /(-)	YTD 2008	YTD 2007	+ /(-)
	\$'000	\$'000	%	\$'000	\$'000	%
Interest income from external parties	98	258	(62)	545	1,288	(58)
Interest expense on bank loans	(1,783)	(1,412)	26	(4,802)	(3,866)	24
Dividend income from investments	1,088	85	nm	2,865	1,416	102
Write back/(Provision) for doubtful debts on trade receivables	-	59	nm	-	(215)	nm
Impairment in value of vessels, property, plant and equipment	-	-	nm	-	(915)	nm
Foreign exchange gain/(loss)	355	(208)	nm	(219)	(302)	(27)
Fair value adjustments on held for trading investments	(1,800)	(21)	nm	(1,528)	907	nm
(Loss)/Gain on disposal of other investments	(539)	94	nm	(554)	94	nm
Loss on disposal of vessels, property, plant and equipment	(823)	-	nm	(1,444)	(94)	nm
<b>Exceptional item :</b>						
Gain on disposal of investment property	3,094	-	nm	3,094	-	nm

**B: The Group's tax charge for the period ended 30 September 2008 included a tax refund of \$297,000 (period ended 30 September 2007: Nil) in respect of prior years.**

nm: Not meaningful

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

**BALANCE SHEETS**

	Group		Company	
	30 Sept 2008 \$'000	31 Dec 2007 \$'000	30 Sept 2008 \$'000	31 Dec 2007 \$'000
<b>Non-current assets</b>				
Vessels, property, plant and equipment	237,823	204,425	400	583
Subsidiaries	-	-	115,665	115,086
Associates	4,344	4,634	-	-
Investment property	14,100	20,800	14,100	20,800
Other investments	16,414	30,358	180	2,826
Deferred tax assets	684	717	-	-
	<u>273,365</u>	<u>260,934</u>	<u>130,345</u>	<u>139,295</u>
<b>Current assets</b>				
Cash and cash equivalents	48,158	61,055	25,517	32,095
Short term investments	2,209	6,050	1,433	6,050
Trade and other receivables	145,114	114,406	3,604	5,576
Prepayments	1,682	887	103	31
Work-in-progress	2,206	763	-	-
Inventories	21,103	14,011	-	-
	<u>220,472</u>	<u>197,172</u>	<u>30,657</u>	<u>43,752</u>
<b>Current liabilities</b>				
Bank loans	18,742	8,244	10,000	-
Payables and accruals	83,366	76,480	4,167	4,763
Derivatives	1,305	2,196	-	-
Deferred income	3,370	672	-	-
Provision for income tax	9,573	9,584	71	1,262
	<u>116,356</u>	<u>97,176</u>	<u>14,238</u>	<u>6,025</u>
<b>Net current assets</b>	104,116	99,996	16,419	37,727
<b>Non-current liabilities</b>				
Bank loans	91,585	86,540	-	-
Deferred tax liabilities	1,247	613	-	-
Advances from minority interest	305	362	-	-
Deferred income	2,586	2,438	-	-
Other liabilities	1,400	1,250	-	-
	<u>97,123</u>	<u>91,203</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>280,358</u>	<u>269,727</u>	<u>146,764</u>	<u>177,022</u>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	85,674	84,975	85,674	84,975
Reserves	158,645	148,754	61,090	92,047
	<u>244,319</u>	<u>233,729</u>	<u>146,764</u>	<u>177,022</u>
<b>Minority interests</b>	36,039	35,998	-	-
<b>Total equity</b>	<u>280,358</u>	<u>269,727</u>	<u>146,764</u>	<u>177,022</u>

**Explanatory Notes to Balance Sheets**

The increase in non-current assets was largely due to capital expenditure, but was partially offset by the divestment of investment property and other investments during the period.

The higher level of business volume during the period has resulted in an increase in trade receivables, work-in-progress, inventories and trade payables.

The proceeds from the divested investment property and other quoted investments were deployed for working capital requirements and capital expenditure.

1(b) (ii) Aggregate amount of group's borrowings and debt securities.

	As at 30 Sep 2008		As at 31 Dec 2007	
	<u>Secured</u> \$'000	<u>Unsecured</u> \$'000	<u>Secured</u> \$'000	<u>Unsecured</u> \$'000
Amount repayable in one year or less, or on demand	93	18,649	92	8,152
Amount repayable after one year	43	91,542	118	86,422

Details of any collateral.

The secured bank borrowing of \$136,000 (2007: \$210,000) is denominated in Malaysia Ringgit (RM), with a fixed charge on a subsidiary's plant and machinery as well as a fixed deposit of RM 1.0 million (2007: RM 1.0 million). The loan bears interest at 6.0% (2007: 6.0%) per annum and is repayable in 60 monthly instalments.

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

	Group		Group	
	3Q 2008 \$'000	3Q 2007 \$'000	YTD 2008 \$'000	YTD 2007 \$'000
<b>Cash flows from operating activities</b>				
Profit before income tax	16,396	11,969	49,727	35,641
Adjustments for:				
Depreciation expenses	3,531	3,769	10,425	10,120
Dividend income from other investments	(1,088)	(85)	(2,865)	(1,416)
Interest expense, net	1,685	1,154	4,257	2,578
Loss on disposal of vessels, property, plant and equipment	823	-	1,444	94
Impairment loss on vessels, property, plant and equipment	-	-	-	915
Loss on disposal of other investments	539	(94)	554	(94)
Gain on disposal of investment property	(3,094)	-	(3,094)	-
Changes in fair value of financial instruments	1,800	21	1,528	(907)
Share based payment expenses	76	83	234	251
Share of results of associated companies	(185)	(362)	(671)	(776)
Operating cash flows before working capital changes	20,483	16,455	61,539	46,406
(Increase) Decrease in:				
Trade receivables and other receivables	(4,898)	(6,032)	(30,708)	(46,511)
Prepayments	361	(314)	(795)	(815)
Inventories and work-in-progress	(6,902)	1,272	(8,535)	(7,352)
Increase (Decrease) in:				
Trade payables and accruals	1,347	13,356	7,036	28,787
Deferred income	400	923	2,846	(161)
Cash flow generated from operating activities	10,791	25,660	31,383	20,354
Interest paid	(1,783)	(1,412)	(4,802)	(3,866)
Income tax (paid)/refund	(2,591)	741	(7,371)	289
Interest received	98	258	545	1,288
Exchange differences	933	(34)	402	73
Net cash flows generated from operating activities	7,448	25,213	20,157	18,138
<b>Cash flows from investing activities</b>				
Acquisition of vessels, property, plant and equipment	(6,630)	(3,863)	(36,501)	(21,798)
Capital refund from long term investments	-	-	43	134
Purchase of investment in an associate	-	-	(114)	-
Proceeds from disposal of vessels, property, plant and equipment	14	2	22	43
Purchase of short term investments	-	-	(20,000)	-
Net proceeds from disposal of short term investments	20,056	1,625	24,668	5,774
Proceeds from disposal of investment property	9,794	-	9,794	-
Proceeds from disposal of other investments	9,795	887	10,978	887
Dividend income from associated companies	-	-	1,111	625
Dividend income from other investments	1,088	85	2,865	1,416
Net cash flows generated from/(used in) investing activities	34,117	(1,264)	(7,134)	(12,919)
<b>Cash flows from financing activities</b>				
Net (repayment of)/proceeds from bank borrowings	(3,798)	(20)	9,803	10,418
Proceeds from issuance of share capital	-	26	531	543
Dividends paid to shareholders	(15,442)	(9,894)	(30,058)	(33,518)
Dividends paid to minority interests	(5,842)	-	(6,518)	(7,359)
Net cash used in financing activities	(25,082)	(9,888)	(26,242)	(29,916)
<b>Net increase/(decrease) in cash and cash equivalents</b>	16,483	14,061	(13,219)	(24,697)
<b>Cash and cash equivalents as at beginning of period</b>	31,073	34,831	61,055	73,464
<b>Effects of exchange rate changes on opening cash and cash equivalents</b>	602	(319)	322	(194)
<b>Cash and cash equivalents as at end of period</b>	48,158	48,573	48,158	48,573

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

GROUP	Attributable to equity holders of the Company						Minority interests	Total equity
	Share capital	Capital reserve *	Foreign currency translation reserve	Accumulated profits	Other reserves	Total reserves		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 1 January 2008	84,975	3,000	(3,347)	149,970	(869)	148,754	35,998	269,727
Cost of share-based payment (share options)	-	-	-	-	158	158	-	158
Issue of shares under share option plan	699	-	-	-	(168)	(168)	-	531
Currency translation differences	-	-	298	-	-	298	724	1,022
Net profit for the period	-	-	-	24,931	-	24,931	2,850	27,781
Net change in hedging reserve	-	-	-	-	262	262	224	486
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	(676)	(676)
Dividends on ordinary shares	-	-	-	(14,616)	-	(14,616)	-	(14,616)
<b>Balance at 30 June 2008</b>	<b>85,674</b>	<b>3,000</b>	<b>(3,049)</b>	<b>160,285</b>	<b>(617)</b>	<b>159,619</b>	<b>39,120</b>	<b>284,413</b>
Cost of share-based payment (share options)	-	-	-	-	76	76	-	76
Currency translation differences	-	-	1,717	-	-	1,717	1,112	2,829
Net profit for the period	-	-	-	12,456	-	12,456	1,463	13,919
Net change in hedging reserve	-	-	-	-	219	219	186	405
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	(5,842)	(5,842)
Dividends on ordinary shares	-	-	-	(15,442)	-	(15,442)	-	(15,442)
<b>Balance at 30 September 2008</b>	<b>85,674</b>	<b>3,000</b>	<b>(1,332)</b>	<b>157,299</b>	<b>(322)</b>	<b>158,645</b>	<b>36,039</b>	<b>280,358</b>
Balance at 1 January 2007	83,689	3,000	(2,508)	150,186	(616)	150,062	37,317	271,068
Cost of share-based payment (share options)	-	-	-	-	168	168	-	168
Issue of shares under share option plan	685	-	-	-	(168)	(168)	-	517
Currency translation differences	-	-	646	-	-	646	680	1,326
Net profit for the period	-	-	-	15,418	-	15,418	3,370	18,788
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	(7,359)	(7,359)
Net change in hedging reserve	-	-	-	-	6	6	5	11
Dividends on ordinary shares	-	-	-	(23,624)	-	(23,624)	-	(23,624)
<b>Balance at 30 June 2007</b>	<b>84,374</b>	<b>3,000</b>	<b>(1,862)</b>	<b>141,980</b>	<b>(610)</b>	<b>142,508</b>	<b>34,013</b>	<b>260,895</b>
Cost of share-based payment (share options)	-	-	-	-	83	83	-	83
Issue of shares under share option plan	34	-	-	-	(8)	(8)	-	26
Currency translation differences	-	-	(842)	-	-	(842)	(541)	(1,383)
Net profit for the period	-	-	-	8,202	-	8,202	1,850	10,052
Net change in hedging reserve	-	-	-	-	(181)	(181)	(153)	(334)
Dividends on ordinary shares	-	-	-	(9,894)	-	(9,894)	-	(9,894)
<b>Balance at 30 September 2007</b>	<b>84,408</b>	<b>3,000</b>	<b>(2,704)</b>	<b>140,288</b>	<b>(716)</b>	<b>139,868</b>	<b>35,169</b>	<b>259,445</b>

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

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

<b>COMPANY</b>	<b>Share capital</b>	<b>Accumulated profits</b>	<b>Other reserves</b>	<b>Total reserves</b>	<b>Total equity</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2008	84,975	91,489	558	92,047	177,022
Cost of share-based payment (share options)	-	-	158	158	158
Issue of shares under share option plan	699	-	(168)	(168)	531
Net profit for the period	-	(498)	-	(498)	(498)
Dividends on ordinary shares	-	(14,616)	-	(14,616)	(14,616)
<b>Balance at 30 June 2008</b>	<b>85,674</b>	<b>76,375</b>	<b>548</b>	<b>76,923</b>	<b>162,597</b>
Cost of share-based payment (share options)	-	-	76	76	76
Net profit for the period	-	(467)	-	(467)	(467)
Dividends on ordinary shares	-	(15,442)	-	(15,442)	(15,442)
<b>Balance at 30 September 2008</b>	<b>85,674</b>	<b>60,466</b>	<b>624</b>	<b>61,090</b>	<b>146,764</b>
Balance at 1 January 2007	83,689	122,073	470	122,543	206,232
Cost of share-based payment (share options)	-	-	168	168	168
Issue of shares under share option plan	685	-	(168)	(168)	517
Net profit for the period	-	(274)	-	(274)	(274)
Dividends on ordinary shares	-	(23,624)	-	(23,624)	(23,624)
<b>Balance at 30 June 2007</b>	<b>84,374</b>	<b>98,175</b>	<b>470</b>	<b>98,645</b>	<b>183,019</b>
Cost of share-based payment (share options)	-	-	83	83	83
Issue of shares under share option plan	34	-	(8)	(8)	26
Net profit for the period	-	(83)	-	(83)	(83)
Dividends on ordinary shares	-	(9,894)	-	(9,894)	(9,894)
<b>Balance at 30 September 2007</b>	<b>84,408</b>	<b>88,198</b>	<b>545</b>	<b>88,743</b>	<b>173,151</b>

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, shares buy-backs, exercise of shares options or warrants conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

	<b>3Q 2008 ended 30 Sep 2008</b>	<b>2Q2008 ended 30 Jun 2008</b>
Issued and fully paid ordinary shares :		
As at beginning of period	551,549,160	550,363,160
Issued during the period - Exercise of share options	-	1,186,000
As at end of period	551,549,160	551,549,160
	<b>As at 30 Sep 2008</b>	<b>As at 31 Dec 2007</b>
The number of shares that may be issued on exercise of share options outstanding at the end of the period	6,606,000	7,863,000

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

	As at 30 Sep 2008	As at 31 Dec 2007
Total number of issued shares	551,549,160	550,347,160
Less: Treasury shares	-	-
Total number of issued shares excluding treasury shares	551,549,160	550,347,160

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

Not applicable.

2 Whether the figures have been audited or reviewed, and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagement to Review Financial Statements), or an equivalent standard).

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with those of the audited financial statements as at 31 December 2007.

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

Not applicable.

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

	<u>Quarter ended 30 Sep</u>			<u>YTD ended 30 Sep</u>		
	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
Earnings per ordinary share for the period based on equity holders of the company						
Based on weighted average number of ordinary shares in issue (in cents)	2.26	1.49	52%	6.78	4.30	58%
On a fully diluted basis (in cents)	2.26	1.49	52%	6.77	4.28	58%

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on: (b) immediately preceding financial year.

	<u>Group</u>	<u>Company</u>
Net asset value per ordinary share based on issued share capital at 30 September 2008 (in cents)	44.3	26.6
Net asset value per ordinary share based on issued share capital at 31 December 2007 (in cents)	42.5	32.2

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

**Review of YTD 2008 Performance**

Group net attributable profit increased 58% year on year (yoy) to \$37.4 million for the first nine months of this year (9M08). Earnings per share were 6.8 cents while annualised return on equity is approximately 18.9%. The Group recorded 30% higher revenue of \$408.01 million, driven largely by the Basic Building Materials and Shipping divisions.

With firm construction demand in Singapore, the Basic Building Materials division recorded higher sales volume. Year to date revenue was 32% higher yoy.

The Shipping division's enlarged fleet enjoyed both higher activity levels and firm charter rates. Revenue grew by 50% yoy. The division operated with 8 pairs of tugs and barges (against 5 pairs in 9M07), as well as a containership as of 30 September 2008.

Changshu Xinghua Port (CXP) in China recorded a marginal decline in revenue. Lower volume of steel handled in the first 2 quarters of the year was partially mitigated by an increase in containers and forestry products. Together with higher interest costs and one-off items, CXP's PATMI is lower for 9M08.

Raw materials, subcontract costs and other operating expenses rose by 34% yoy due mainly to the increase in the level of business activities.

Finance costs were also higher yoy due to increase in bank loans and higher interest rates in China where more than 90% of the Group's bank loans are from.

Tax expense was up 18% yoy in 9M08 as a result of higher earnings.

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

Not applicable.

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

The outlook for the Basic Building Materials division remains positive for the rest of the year on the back of firm domestic construction demand.

The addition of 7 new pairs of tugs and barges will be delivered over the next 7 months. The Shipping division expects its fleet to be productively deployed.

CXP will continue to improve on its productivity level as well as grow and diversify its cargo base.



**11 Dividend**

**(a) Current Financial Period Reported On**

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

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

**(c) Date payable:**

Not applicable.

**(d) Books closure date**

Not applicable.

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

No dividend has been declared for the quarter ended 30 September 2008.

**CONFIRMATION BY THE BOARD**

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited consolidated financial results for the quarter ended 30 September 2008 to be false or misleading.

BY ORDER OF THE BOARD

Loh Yeen Ying  
Company Secretary  
11 November 2008