



Extraordinary General Meeting

30 November 2016

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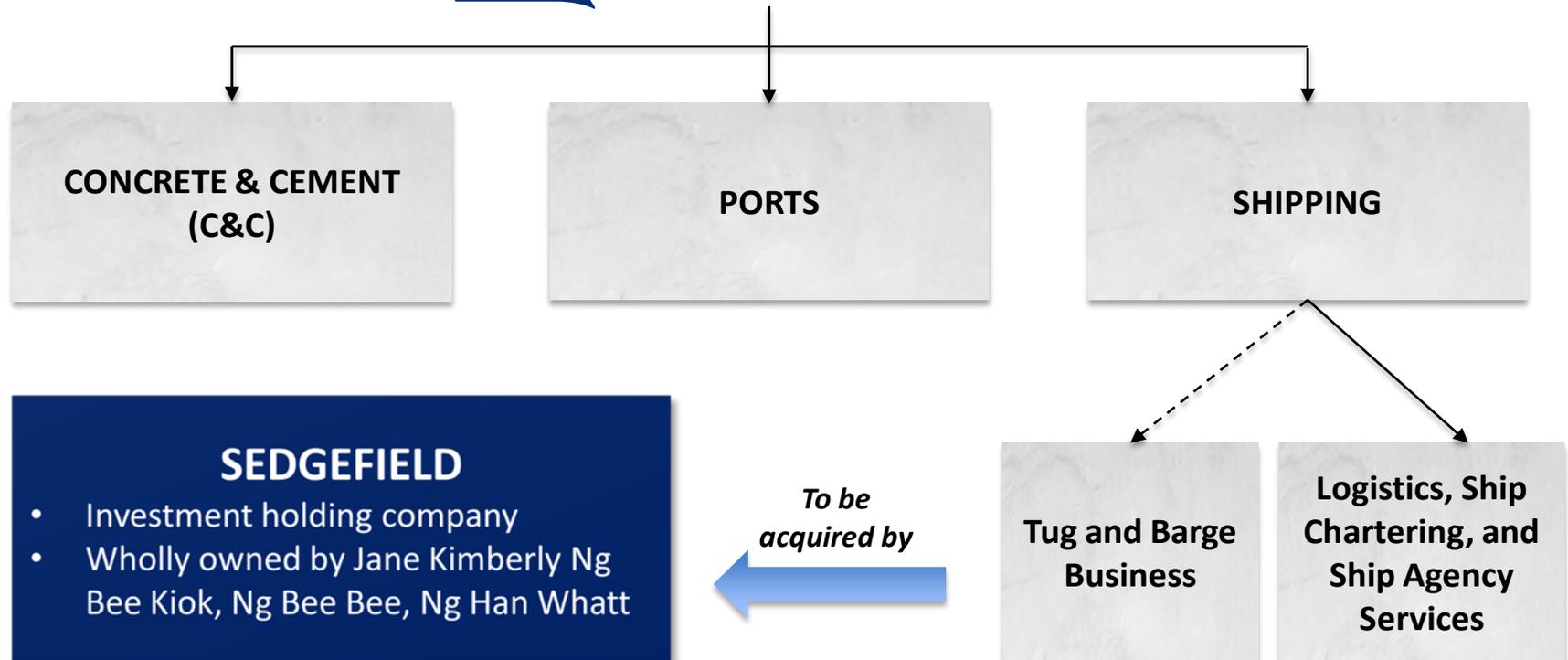
Proposed Divestment



Tug and Barge Business

Transaction Overview

Pan-United entered into a Sales and Purchase Agreement (SPA)
with Sedgefield Corporation Pte Ltd on 4 October 2016



Key Transaction Details

- **Divestment of two wholly-owned subsidiaries (Tug and Barge Business)**
 - Pan-United Shipping Pte Ltd (PUS)
 - P.U. Vision Pte Ltd (PUV)

- **Sales consideration**
 - Aggregate amount of S\$29,922,000
 - Arrived at after arm's length negotiations, on a willing buyer-willing seller basis
 - Takes into consideration the unaudited NTA of PUS and PUV as at 30 September 16
 - PUS: S\$1,939,000 (converted from US\$1,420,513 at US\$1:S\$1.365)
 - PUV: S\$27,983,000
 - In conjunction with the SPA, PanU entered into a Transitional Services Deed and Licence Agreements with PUS and PUV

- **12 tugboats and 10 barges valued at:**
 - S\$23,800,000 as at 28 September 2016
 - Unaudited net book value of S\$26.95 million as at 30 September 2016

Overview of Sale Companies

PUS

- Principal activity in the provision of shipping services and trading
- PUS does not own any vessels but charters them from PUV and other third parties to carry on its shipping activities

PUV

- Principal activity is in the provision of ship chartering services
- As at the latest practicable date, PUV owns 12 tugboats and 10 barges, with an average age of eight years, which are exclusively chartered to PUS on bareboat charter



Rationale for Sale

■ Stem losses from Tug and Barge Business

- Enduring a very challenging industry and market environment characterized by:
 - Low freight rates and softening market demand in Southeast Asia
 - Severe oversupply in vessel capacity
- Incurred losses since 2013, and recorded a net loss of S\$5.4 million for the 9 months to 30 September 2016

Based on unaudited pro forma numbers

S\$'000	FY2013	FY2014	FY2015	9M2015	9M2016
Revenue	26,725	29,950	23,237	17,926	7,034
Gross Profit	11,754	12,578	10,420	8,063	4,818
EBITDA	3,678	2,534	1,402	1,177	(2,259)
Net Loss	(544)	(1,689)	(2,823)	(2,004)	(5,421)

- The Company believes that the challenging industry and market environment will continue
- Divestment would allow the Shipping Division to be “asset-light”, by not owning the tugs and barges, and focus on the provision of logistics, ship chartering and ship agency services

Rationale for Sale

- **Focus on two existing core businesses**
 - Proposed disposal will allow Pan-United to continue to focus on its two existing core businesses
 - C&C: Supplies materials to the construction industries locally, and in the region
 - Ports: Owns and operates two ports in China, and provides cargo handling services and integrated logistics hub services

- **Enhance financial position**
 - Proceeds from the sale would have the added benefit of lowering the net gearing position of Pan-United

- **Fund projects and working capital**
 - Pan-United intends to use the sale proceeds from the Proposed Disposal to fund future projects and the working capital requirements of the Group

Transaction Financial Highlights



Financial Effects of the Proposed Disposal

Assuming the Proposed Disposal is completed on 30 September 2016, there will be no gain or loss from the proposed disposal

	<u>Based on audited consolidated financial statements of the Group as at 31 December 2015¹</u>		<u>Based on unaudited consolidated financial statements of the Group as at 30 September 2016²</u>	
	<u>Before the proposed disposal¹</u>	<u>After the proposed disposal¹</u>	<u>Before the proposed disposal²</u>	<u>After the proposed disposal²</u>
NTA (S\$'000)	255,422	252,298	239,010	239,010
NTA per share (Singapore cents)	45.63	45.07	42.70	42.70
PATMI (S\$'000)	20,311	16,558	14,549	14,549
EPS (Singapore cents)	3.6	3.0	2.6	2.6
Net Borrowings (S\$'000)	250,692	220,770	255,094	225,172
Net Gearing (times)	0.79	0.70	0.85	0.75

Note(s):

(1) Based on audited consolidated financial statements of the Group as at 31 December 2015 and assumed the proposed disposal was completed on 1 January 2015

(2) Based on unaudited consolidated financial statements of the Group as at 30 September 2016 and assumed the proposed disposal was completed on 30 September 2016

Opinion of IFA & Audit Committee

- The Independent Financial Adviser (IFA), Deloitte & Touche Corporate Finance Pte Ltd, is of the opinion that the Proposed Disposal **is on normal commercial terms** and **is not prejudicial to the interests of the Company and its minority Shareholders**
- Accordingly, the IFA has advised the Independent Directors to **recommend that Shareholders vote in favour** of the Proposed Disposal
- The Audit Committee has considered the terms of the Proposed Disposal as well as the advice of the IFA, and is of the view that the Proposed Disposal **is on normal commercial terms** and **is not prejudicial to the interests of the Company and its minority Shareholders**

Independent Directors' Recommendation

- Based on the rationale for and the terms of the Proposed Disposal as set out in this Circular, the Independent Directors believe that the Proposed Disposal **is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders**

Recommend that Shareholders

vote at the EGM in favour

of the ordinary resolution to approve the Proposed
Disposal

Thank You