PanUnited

/TRANSFORM

PAN-UNITED CORPORATION LTD / ANNUAL REPORT 2019

TRANSFORM

PAN-UNITED CORPORATION LTD / ANNUAL REPORT 2019

PanUnited

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

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

Tel: 6305 7373 Fax: 6305 7345
Email: info@panunited.com.sg

www.panunited.com.sg

CONTENTS

A HOLISTIC APPROACH TO SUSTAINABILITY

Pan-United Corporation Ltd is a technology company focused on concrete and logistics.

We thrive in an innovation culture engineered by cutting-edge technologies in concrete solutions and in operations & logistics management.

Our strategic focus is to create sustainable solutions that are safe and environmentally-friendly for the communities and the world we live in.

GROUP FINANCIAL SUMMARY

	2019 $'000	2018 $'000	+/(-) %
Financial Results			
Continuing operations			
Revenue	**768,258**	863,530	(11)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**53,635**	28,217	90
Profit before taxation	**26,179**	8,943	193
Profit after taxation	**20,929**	6,544	220
Profit attributable to equity holders of the Company (PATMI)	**20,511**	6,072	238
Discontinued operations			
Profit after taxation	**–**	1,007	NM
Profit attributable to equity holders of the Company (PATMI)	**–**	878	NM
Total			
Profit after taxation	**20,929**	7,551	177
Profit attributable to equity holders of the Company (PATMI)	**20,511**	6,950	195
Financial Position			
Shareholders' funds	**202,316**	191,540	6
Non-controlling interests	**8,261**	6,784	22
Total equity	**210,577**	198,324	6
Total assets	**442,103**	421,852	5
Total liabilities	**231,526**	223,528	4
Per share data			
Basic earnings (in cents) (note 1)			
From continuing operations	**2.93**	0.87	237
Total attributable to equity holders of the Company	**2.93**	0.99	196
Diluted earnings (in cents) (note 2)			
From continuing operations	**2.93**	0.87	237
Total attributable to equity holders of the Company	**2.93**	0.99	196
Net asset value as at 31 December (in cents)	**28.90**	27.30	6
Return on shareholders' fund (note 3)	**10.4%**	2.5%	316
Return on property, plant and equipment (note 3)	**11.3%**	3.6%	214
Net gearing ratio	**0.38**	0.40	(5)

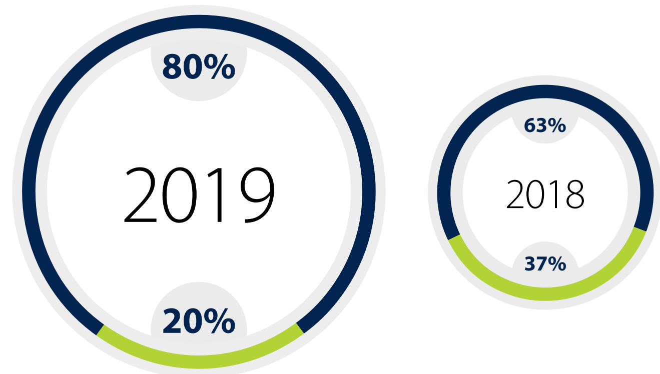
Notes

1. The calculation for basic earnings per share is based on 700,885,825 (2018: 700,885,825) weighted average number of shares in issue during the year.
2. The calculation for diluted earnings per share is based on 700,982,995 (2018: 700,898,425) 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. The ratios for FY2018 is calculated based on continuing operations.

NM: Not Meaningful

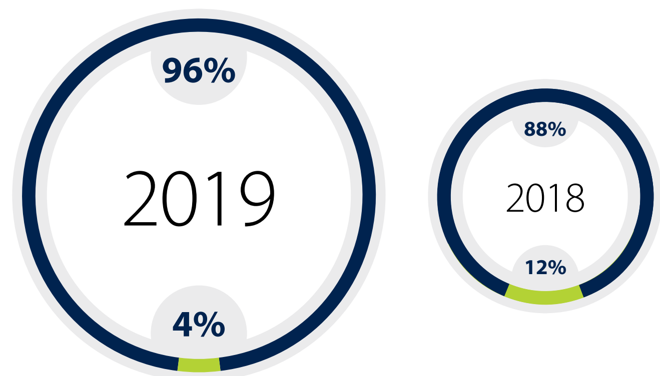
SEGMENTAL INFORMATION

Revenue From Continuing Operations



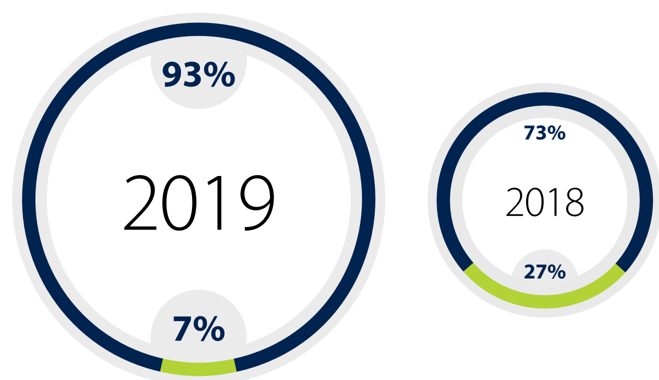
Revenue ($'m)	2019	2018
Concrete & Cement	**617.33**	545.71
Trading & Shipping	**150.93**	317.82
Total - Continuing operations	**768.26**	863.53

EBITDA
(excluding others)



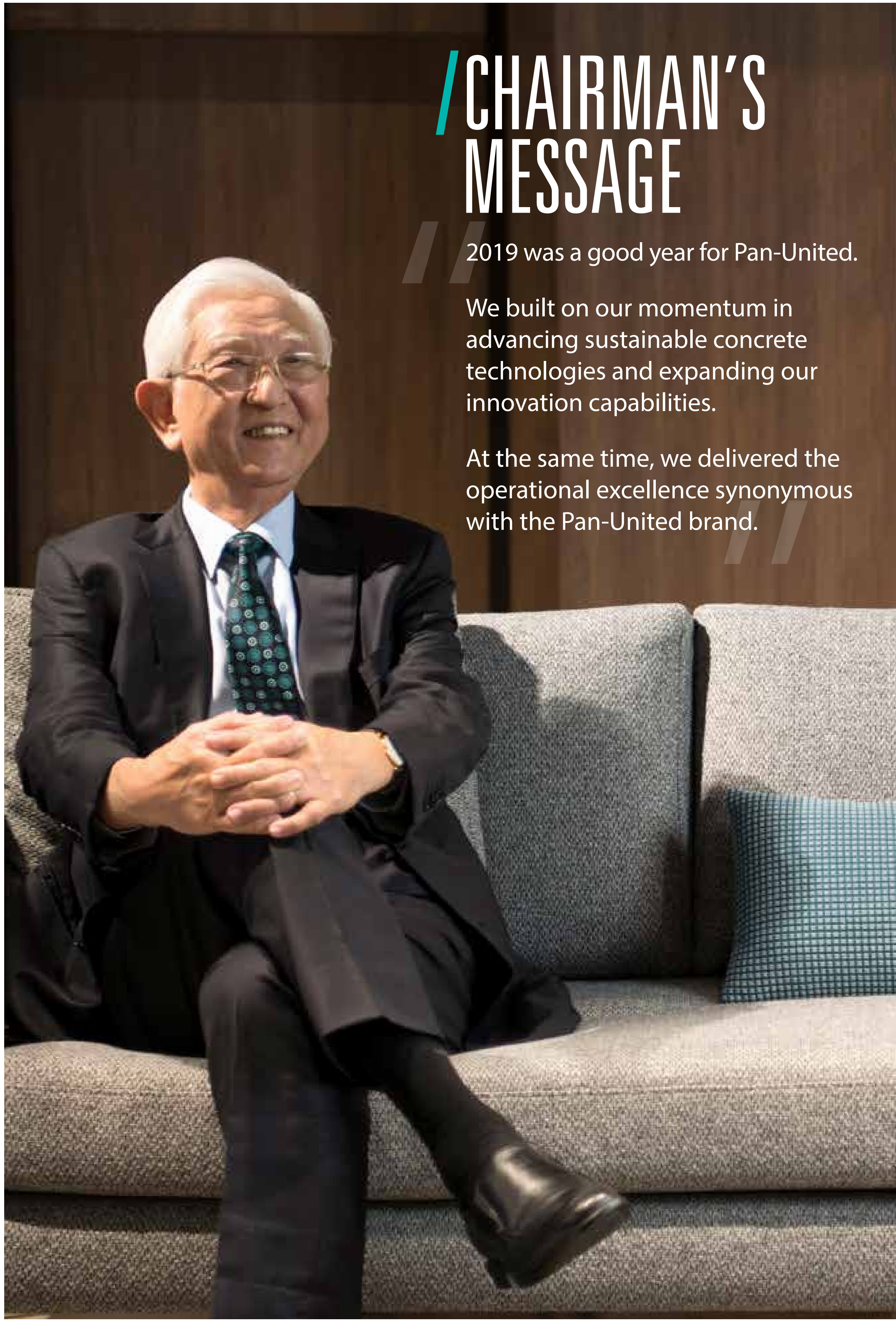
EBITDA ($'m)	2019	2018
Concrete & Cement	**58.27**	30.26
Trading & Shipping	**2.48**	3.95
Others	**(7.11)**	(5.99)
Total - Continuing operations	**53.64**	28.22

PATMI
(excluding others)



PATMI ($'m)	2019	2018
Concrete & Cement	**26.00**	8.53
Trading & Shipping	**1.96**	3.18
Others	**(7.45)**	(5.64)
Total - Continuing operations	**20.51**	6.07

CHAIRMAN'S MESSAGE



"2019 was a good year for Pan-United.

We built on our momentum in advancing sustainable concrete technologies and expanding our innovation capabilities.

At the same time, we delivered the operational excellence synonymous with the Pan-United brand."

I am pleased to report another positive year for the Pan-United Group. For the full year ended 31 December 2019, total revenue advanced to $768.3 million. We delivered a profit after tax and non-controlling interests (PATMI) of $20.5 million from continuing operations, an increase of $14.4 million from the previous year. More importantly, we have identified new growth opportunities from our innovative platforms.

This year, we achieved a breakthrough in 'tech-rupting' our industry - we opened up our technology platforms, ready to share with other players regionally and even globally.

Sustainability Integrated with Innovation

Since 2012, we have been on an across-the-board innovation journey that goes beyond developing new types of sustainable, high-performance concrete mixes. On the back end, we have re-configured our in-house technology infrastructure, allowing us to serve customers much more efficiently with a consumerised experience.

The main goal of our continuous journey remains unchanged – attain higher sustainability standards, be it by upcycling materials for our concrete mixes; mitigating air, noise or waste pollution; achieving supply chain transparency for our customers; and last but not least growing resilient income for the benefit of our shareholders.

As an industry leader in concrete and logistics technologies, it is important that we collaborate closely with our stakeholders to catalyse a greater national and regional impact.

In a project collaboration with the National Environment Agency (NEA), Pan-United designed and produced a 3D-printed concrete bench using NEWSand, a material made from repurposed municipal solid waste slag. NEA unveiled the bench at its Year Towards Zero Waste event in November 2019, kickstarting a nationwide trial process to use incineration bottom ash for future road construction projects.

The NEWSand Bench

The NEWSand Bench sponsored by Pan-United was a highlight of the Year Towards Zero Waste event in November 2019. Seated on the bench from left are Mr Masagos Zulkifli and Dr Amy Khor, the Minister and Senior Minister of State for the Environment and Water Resources, respectively.

During the year, we began expanding our customer base through an industry 'tech-ruption'. This started with the soft launch of the goTruck! platform to transportation companies, construction firms and building materials suppliers. The unique end-to-end supply chain platform for the construction materials ecosystem (sand, stone, cement, slag, etc.) is designed to close the transportation supply-demand visibility gap and minimise vehicle idleness.

The Group also made headway in promoting the use of our revolutionary intelligent optimisation platform called AiR, the acronym for Artificial Intelligence for Ready-Mix Concrete. Offered as a software as a service (SaaS), the AiR platform can be plugged into existing user operations to optimise every stage of a company's operational supply chain. In December 2019, Pan-United entered into a Memorandum of Understanding (MoU) with South Korea's largest ready-mix concrete company, Eugene Corporation, to assess the use of the AiR platform to digitalise its entire end-to-end operations.

We made meaningful progress in integrating sustainable practices across various stages of our entire value chain. It is therefore humbling to be recognised for our sustainability excellence, by becoming the first and only concrete company to win the 'SGBC-BCA Sustainability Leadership Award' under the 'Leadership in Green Building Product' category. This award culminates the Group's pro-active sustainable approach to achieve a green built environment in Singapore and globally, and to shape a safer environment for the communities we live and operate in.

Outram Community Hospital
The new Outram Community Hospital joins the many new healthcare facilities built in recent years using advanced concrete solutions that provide sustainable benefits. These include reduced carbon emissions, lower manpower resource, and cost and time savings.

Eugene Corporation to explore AiR
An MoU was signed in December 2019 for South Korea's Eugene Corporation to explore opportunities to adopt Pan-United's artificial intelligence technology platform called AiR.

2020 and Beyond

Over the past few months, the COVID-19 outbreak has evolved into an unprecedented global pandemic. The full impact of the outbreak is still emerging. Our top priority is the health and safety of our employees, families, customers and partners. Our business continuity plans have been executed smoothly. We are constantly reviewing and ensuring our precautionary measures are in line with government guidelines.

Earlier this year, on 8 January 2020, the Building and Construction Authority (BCA) projected a construction demand of $28 billion to $33 billion for 2020. Ready-mix concrete demand was projected to grow by 16% to a range of 14-15 million m^3. These projections may be adjusted as the COVID-19 outbreak evolves, and we remain hopeful that the situation will improve in the later part of 2020.

Public sector demand is projected to be between $17.5 billion and $20.5 billion, driven by major infrastructure projects such as the Integrated Waste Management Facility, infrastructure works for Changi Airport Terminal 5, Jurong Region MRT Line and Cross Island MRT Line. Infrastructure projects are large and complex, and typically require specialised, high-specification concrete solutions to meet the challenging requirements.

Over the medium term, construction demand is expected to hold steady. The projections are for demand to reach between $27 billion and $34 billion annually in 2021 and 2022, and between $28 billion and $35 billion annually in 2023 and 2024.

Our regional operations have performed well. Most notably, we have maintained our market leader position in Ho Chi Minh City, with our performance boosted by the growth in the Vietnam economy and construction sector. In Malaysia, we have secured more infrastructural projects.

We are in a time of widespread disruption and uncertainty. With a solid balance sheet and low gearing levels, the Group has the necessary financial resources and flexibility to ride out the COVID-19 outbreak. We will continue to assess the situation, taking steps to not only prepare for construction activities to pick up once the situation improves but also to safeguard the future of our business in the long run.

Proposed Dividend

The Board has recommended a final ordinary dividend per share of 1.10 Singapore cents ($0.011) for FY2019 to be approved by shareholders at the next Annual General Meeting.

With the interim dividend of 0.50 Singapore cents ($0.005) already paid in September 2019, the Board has recommended a total ordinary dividend per share of 1.60 Singapore cents ($0.016) for FY2019.

Empire City
The 333-metre-high Empire City will be the third tallest building in Vietnam when completed in 2022.

With Gratitude

The Group will continue to pro-actively develop sustainable concrete and technology solutions, and grow our existing businesses to capture demand by other local and regional players for our innovative solutions. We remain committed to generating sustainable returns for our shareholders.

I would like to extend a warm welcome to Fong Yue Kwong, who just joined us as an Independent Board Director on 1 March 2020. Mr Fong was in JTC Corp for many years and brings to us his vast experience and expertise in logistics.

This report closes my final year as Chairman of the Board of Pan-United after a most fulfilling 23-year journey with the Company. I would like to thank my fellow Board members for their gracious and steadfast support during my tenure.

My most sincere appreciation to all shareholders, customers and business partners for your strong mandate as we grew Pan-United through many changes and challenges. Into the next dimension of Pan-United's future, I am confident that its unique family culture will bind all employees as a strong, cohesive force to fulfil its ambitions. The dedicated service, teamwork, loyalty and commitment of our people are the source of our achievements. I thank you, all.

Yours sincerely,

Ch'ng Jit Koon
Chairman

CORPORATE STRUCTURE

PAN-UNITED CORPORATION LTD

CONCRETE & CEMENT

Pan-United Industries Pte Ltd 100%

Pan-United Concrete Pte Ltd	100%	100%	United Cement Pte Ltd
Raffles Concrete Pte Ltd	100%	49%	Raffles Cement Pte Ltd
Fortis Star Sdn Bhd	100%	100%	Meridian Maplestar Sdn Bhd
Fico Pan-United Concrete Joint Stock Company	55%	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

31 December 2019
Financial Year End

18 February 2020
Announcement of FY2019 results

June 2020
Annual General Meeting

To Be Confirmed*
Payment of Final Dividend

July 2020
Announcement of 2020 Half-Year Results

* The Company has applied from the regulatory authorities for an extension of time to hold its annual general meeting. The date of payment of final dividend will be confirmed and announced in due course.

CORPORATE INFORMATION

Board of Directors

Chairman
Ch'ng Jit Koon

Deputy Chairman
Patrick Ng Bee Soon

Chief Executive Officer
Ng Bee Bee

Independent Directors
Cecil Vivian Richard Wong
Tay Siew Choon
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
Low Yen Mei (since financial year 2015)

BOARD OF DIRECTORS

Ch'ng Jit Koon
Chairman,
Independent Director

Mr Ch'ng Jit Koon has been the Chairman of Pan-United Corporation Ltd since April 1997.

He was a Member of Parliament, Singapore from 1968 to 1996 and was Senior Minister of State, Ministry of Community Development when he retired in January 1997.

Mr Ch'ng serves in several community organisations and is a director of Progen Holdings Ltd and Santak Holdings Ltd. Mr Ch'ng was previously a director of Ho Bee Land Ltd.

Mr Ch'ng holds a Bachelor of Arts (Economics and Political Science) degree from Nanyang University, Singapore (now Nanyang Technological University).

Patrick Ng Bee Soon
Deputy Chairman

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, and 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 the Executive Chairman of Xinghua Port Holdings Ltd, a separately listed company on the Main Board of The Stock Exchange of Hong Kong.

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

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.

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

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.

Tay Siew Choon
Independent Director

Mr Tay Siew Choon has been an Independent Director of Pan-United Corporation Ltd since February 2005. He 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).

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 is 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 was appointed as an Independent Director of Pan-United Corporation Ltd in 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.

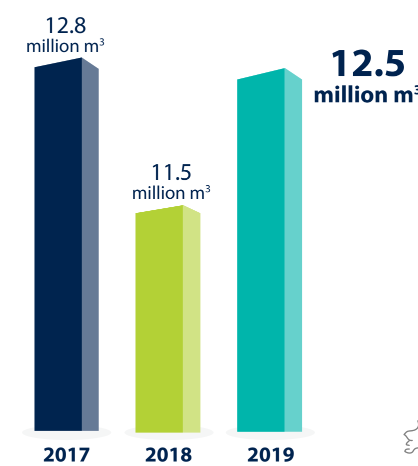
Innovation Centre
Since 2012, Pan-United has built up a strong team of materials scientists, engineers and researchers to innovate specialised sustainable concrete solutions for our customers.

PERFORMANCE REVIEW

CONCRETE AND CEMENT CORE

Singapore construction demand in 2019 rose 9.5% from the previous year with $33.4 billion of contracts awarded, according to estimates from the Building and Construction Authority (BCA). Additionally, demand for ready-mix concrete grew from 11.5 million m^3 in 2018 to 12.5 million m^3 in 2019.

Demand For Ready-Mix Concrete



New Healthcare Facilities
New infrastructure like the Outram Community Hospital and the National Cancer Centre (under construction) are the latest additions to Singapore's advanced healthcare industry.

/SINGAPORE

For Pan-United, the improved outlook came with significant developments underway during the year.

High volumes of our specialised concrete products were supplied across diverse sectors:

- Large-scale infrastructural projects such as the Tuas Terminal, North-South Corridor, the Deep Tunnel Sewerage System, Changi Water Reclamation Plant, Changi East Development including Changi Airport Terminal 5 and a three-runway system
- Diverse commercial projects such as Jewel Changi Airport and Funan Mall
- Mixed-use commercial developments such as Guoco Midtown, Capitaspring and PSA Liveable City
- Institutional projects such as SIT Campus, Eunoia Junior College, Surbana Jurong Campus, National Cancer Centre, Advanced Medicine Imaging Centre at Biopolis, Woodlands Health Campus, Mount Alvernia Hospital and Outram Community Hospital

A steady pipeline of public and private sector projects are expected in 2020. According to the BCA, the total construction demand in 2020 is projected to increase, ranging between $28 billion and $33 billion. However, the situation remains fluid in relation to the impact of COVID-19 on the local construction industry. We are using this time to improve our processes and operations while looking at all ways to emerge stronger for growth.

Funan Mall
The newly revamped Funan Mall, owned by Capitaland, is the latest commercial landmark in the Central Business District.

Eunoia Junior College
The new Eunoia Junior College is the first high-rise junior college in Singapore, with 12-storey academic blocks and an elevated football field.

Thomson East Coast Line
The first stage of the Thomson-East Coast Line (TEL) from Woodlands North to Woodlands South opened in January 2020. TEL is set to open in five stages from this year to 2024.

Thu Thiem 2 Bridge
The 1.5km Thu Thiem 2 Bridge that will connect Thu Thiem area in District 2 to City Center in District 1 across the Saigon River is one of FiCOPanU's iconic projects in Ho Chi Minh City, Vietnam.

/VIETNAM

In Vietnam, FiCOPanU is a leading ready-mix concrete supplier in Ho Chi Minh City, supplying to many key projects and top construction companies there.

FiCOPanU contributed to a mass pour of over 10,000m^3 of temperature-controlled concrete to Empire City, a Keppel Land integrated waterfront development which will be the third tallest building in Vietnam. In a partnership with Coteccons, the leading construction group in Vietnam, FiCOPanU developed and commercialised a series of ready-mix mortar for brick bedding, plastering and floor screed applications. This ready-mix mortar was supplied to One Verandah, a luxury condominium project by Mapletree Investments.

FiCOPanU also began supplying high performance and high durability concrete to the Thu Thiem 2 Bridge, a 6-lane vehicle and pedestrian bridge which connects the Thu Thiem area to the city centre across the Saigon River.

In June 2019, FiCOPanU launched GOLD BETONG™, a business- to-consumer platform for ordering its quality concrete to build private houses. For customer convenience, GOLD BETONG™ is web enabled and available on mobile app. To date, GOLD BETONG™ has supplied concrete to over a hundred projects across Ho Chi Minh City.

One Verandah
The One Verandah luxury condominium project for Mapletree Investments is scheduled for completion in early 2020.

/MALAYSIA

Sungei Buloh-Serdang-Putra Jaya (SSP) Line
Expected for completion in 2022, the SSP line is a 55.2km mass rapid transit line connecting towns in the Klang Valley area.

The Komtar JBCC Shopping Mall
The latest shopping mall in Johor Bahru completed in 2019.

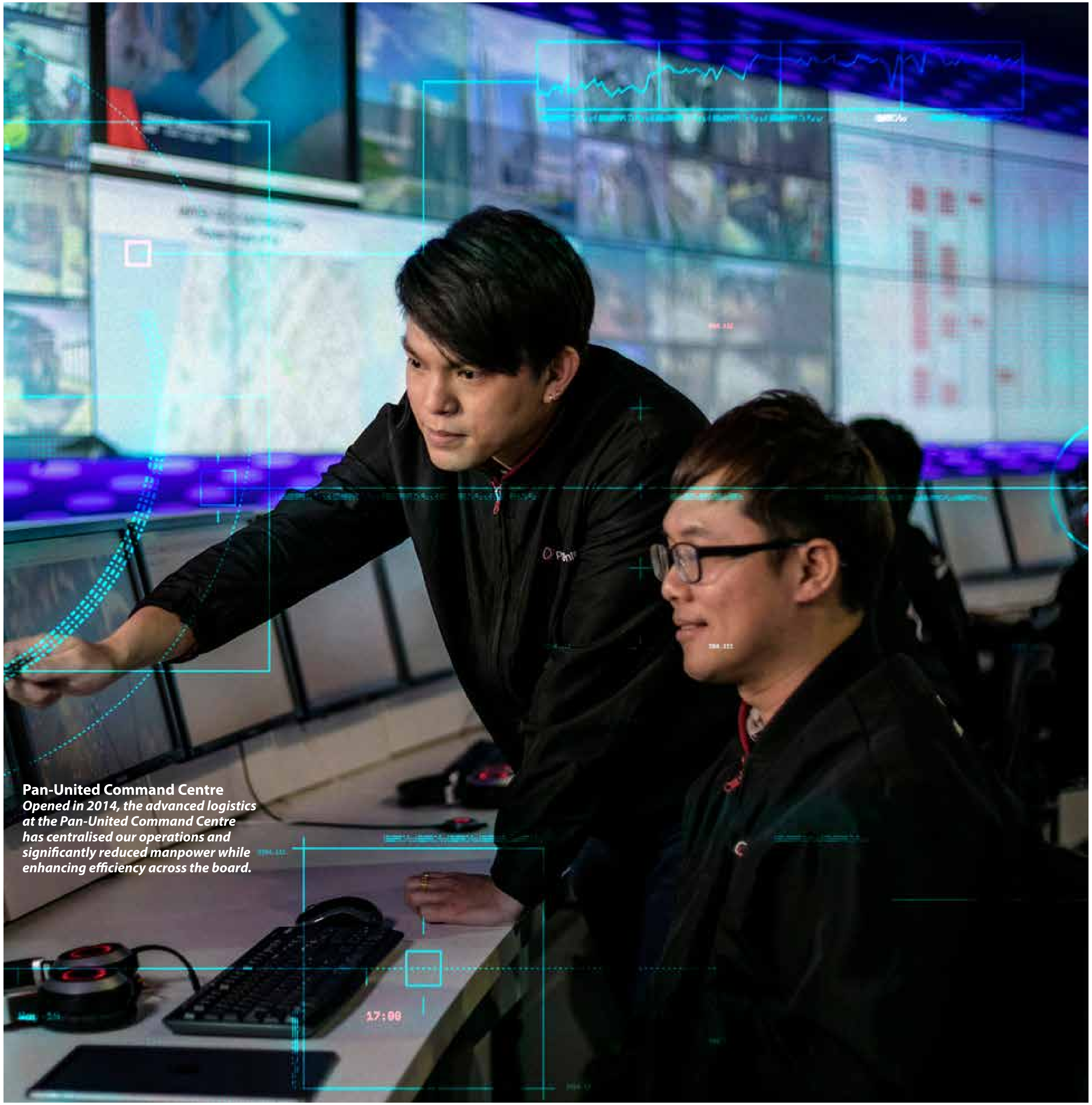
Fortis Star picked up traction in 2019, securing more projects across diverse sectors in Selangor, Melaka and Johor.

In addition to the East Klang Valley Expressway that was opened in 2019, we are also supplying concrete to the 20.1-km-long Damansara-Shah Alam Highway (DASH) project, which is an elevated expressway in Selangor's Klang Valley. Within Kuala Lumpur, Fortis Star is supplying to the Sungei Buloh-Serdang-Putra Jaya (SSP) Line as part of its Mass Rapid Transit expansion.

In Johor, the projects include the new KOMTAR shopping mall in Johor Bahru City Centre, Dialog Oil Tank Terminal and three factories in Pasir Gudang and Tanjung Langsat. Fortis Star supplied its first residential project in Melaka for Pavana Residences, a condominium project along Pantai Kundur.

Meridian Maplestar achieved full accreditation of its slag grinding plant in Johor. It received the Green Label, ISO 14001 and ISO 45001 accreditations in addition to the existing ISO 9001, SIRIM and TÜV accreditations. Since the commencement of commercial production in early 2018, the plant has strengthened our vertical integration by supplying high-grade ground granulated blast furnace slag (GGBFS) to our ready-mix concrete operations in Singapore and Malaysia.

Damansara-Shah Alam Elevated Expressway (DASH)
The 20.1km DASH will connect major towns in Klang Valley, Selangor when completed in 2020.



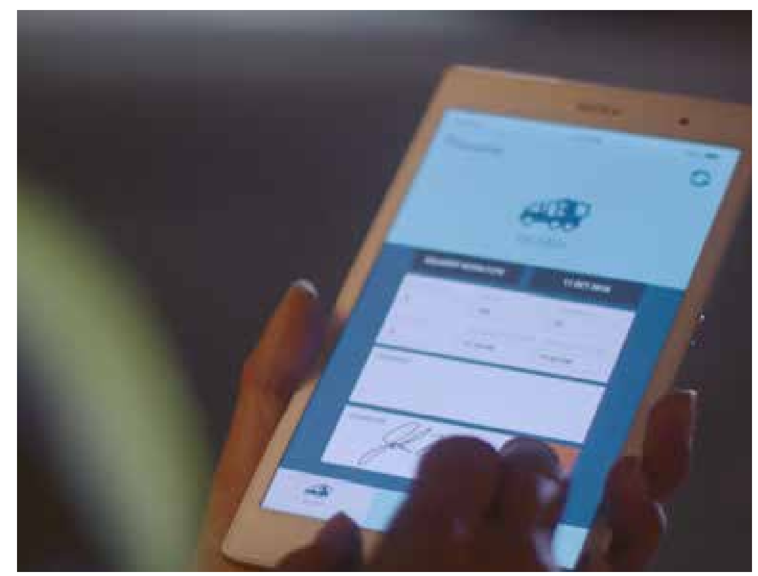
Pan-United Command Centre
Opened in 2014, the advanced logistics at the Pan-United Command Centre has centralised our operations and significantly reduced manpower while enhancing efficiency across the board.

PERFORMANCE REVIEW

SUPPLY CHAIN DIGITALISATION

In 2019, we revised our business model to align with our vision to become a technology company.

We continue to grow our core business in concrete and cement. Using our deep domain knowledge and industry strengths, we are spinning off and commercialising digital platforms to grow new revenue streams and 'tech-rupt' the built industry.



AiR
Users of the AiR digital platform enjoy the convenience of e-booking and signing off their orders at the touch of a button.

COMMERCIALISING NEW DIGITAL PLATFORMS IN A SHARING ECONOMY

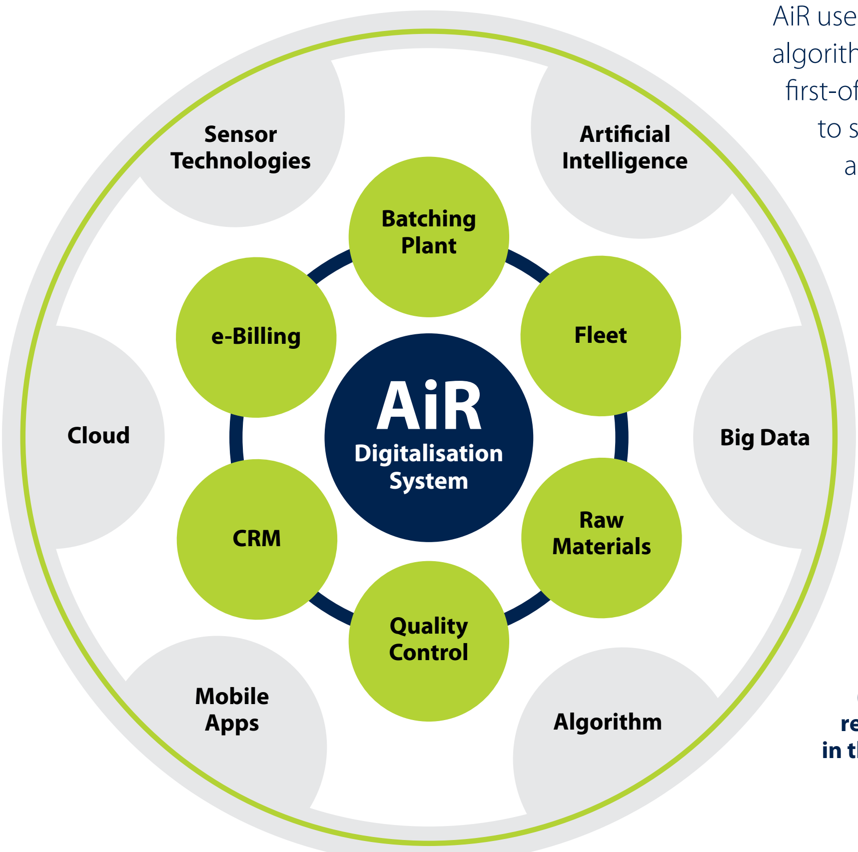
AiR DIGITAL

Pan-United remodelled its user optimisation digital system and named it AiR, the acronym for Artificial Intelligence for Ready-Mix Concrete. This plug-and-play SaaS (Software as a Service) is a scalable system that can be used by other cement and ready-mix companies to optimise operations along their entire vertical supply chain.

AiR uses artificial intelligence, data analytics, algorithms and sensor technologies. As the first-of-its-kind in the industry, AiR is designed to solve customers' pain points and value-add to their back-end processes.

It is a modular system with regional and even global market potential.

In December 2019, Pan-United signed a Memorandum of Agreement (MoU) with Korea's biggest ready-mix concrete company, Eugene Corporation, to explore ways to use AiR to optimise their operations.



AiR is a scalable software as a service (SAAS) that can be used by cement and ready-mix companies to optimise operations in their supply chain.

goTruck!

In January, we commercially released goTruck!, a one-of-a-kind, B2B truck hailing and fleet management platform for the construction industry.

goTruck! connects construction companies and materials suppliers to the transporters in a seamless digital flow, through enterprise resource planning and robotic process automation. It also offers ancillary services, such as fuel supply, to promote sustainability in the business and to enhance stakeholder convenience.

To date, goTruck! is serving almost 40% of Singapore's total tipper truck market for sand and aggregates. The volume of raw materials carried by goTruck!-activated trucks exceeds a million tonnes a month.

A one-of-a-kind B2B supply chain platform
goTruck! is an advanced end-to-end digital supply chain platform that matches the supply and demand of heavy vehicles transporting bulk materials.

Transforming the tipper truck industry
goTruck! is now serving almost 40% of Singapore's total tipper truck demand for raw materials in the construction sector.

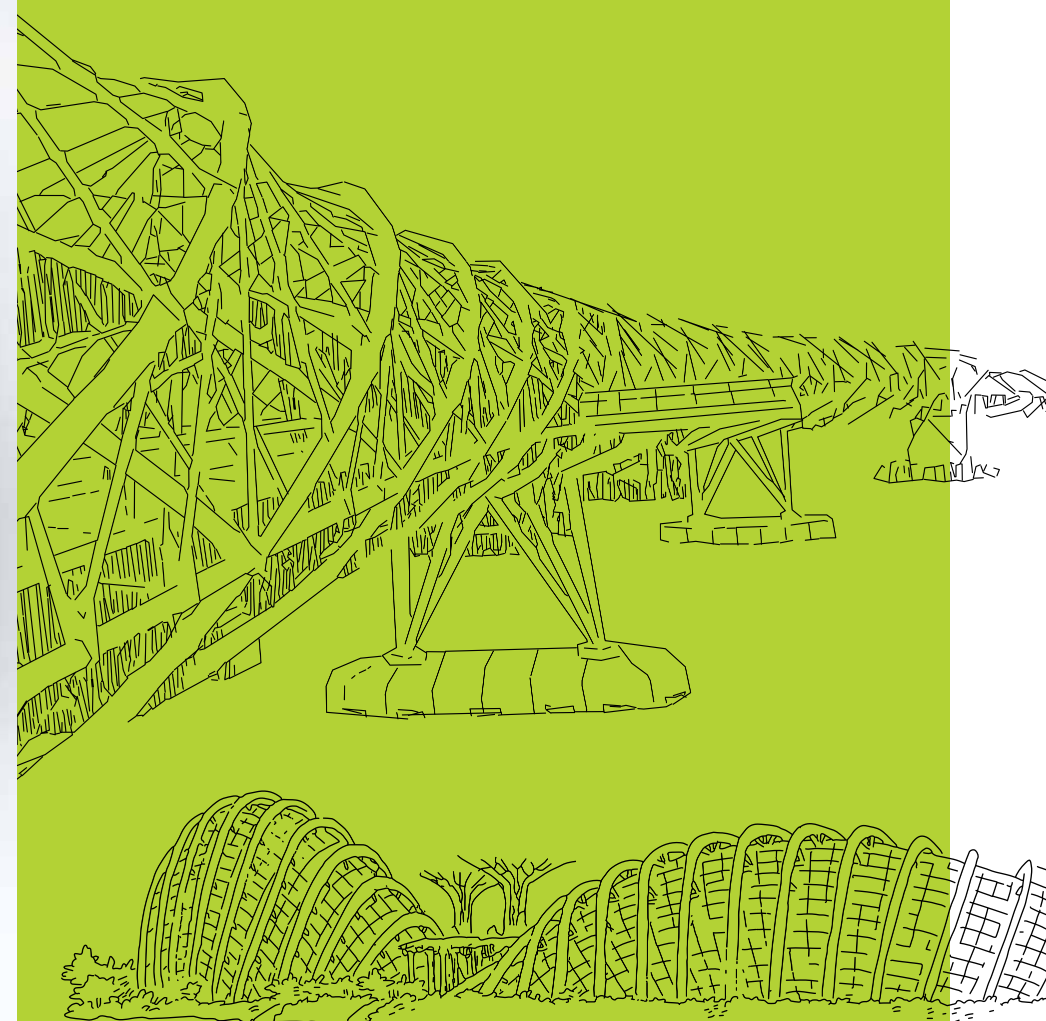
The new mobile booking app signifies Pan-United's foray into the B2C market in Vietnam.

GOLD BETONG

The GOLD BETONG™ online platform marks Pan-United's debut in the B2C market. It is a mobile booking app platform that is a first for the ready-mix concrete industry in Vietnam, allowing home owners or small housing developers to build individual houses. GOLD BETONG™ offers various grades of concrete and building materials that can be ordered online for convenience, bringing customer experience to a new level of consumerisation in the concrete industry.

/SUSTAINABILITY

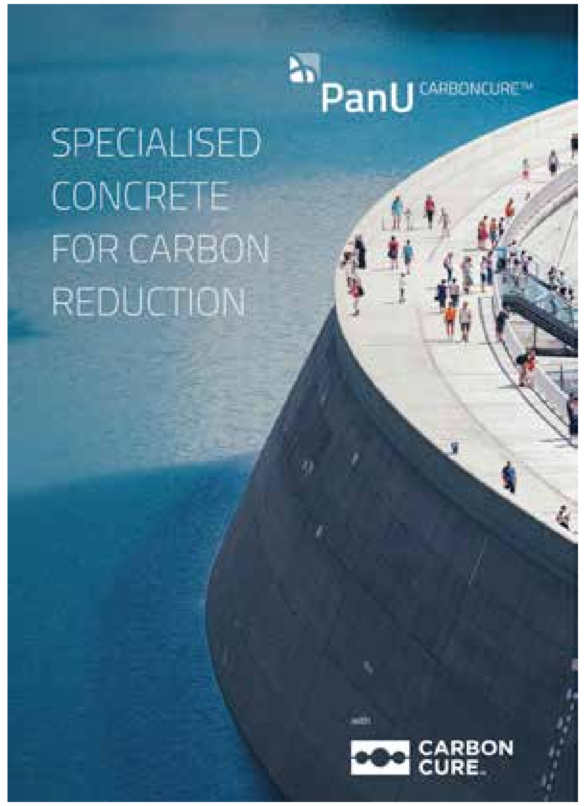
2019 was a significant year for sustainability as we were acknowledged for our leadership in sustainable product development, as well as taking the lead in reducing carbon emissions in our specialised concrete products.



CHAMPION FOR SUSTAINABILITY

In 2018, Pan-United sealed a very important partnership with Canada-based CarbonCure to use their carbon-injection technology. This collaboration reflects our conscious intent to do our part in combating climate change by using concrete to reduce carbon emissions in the atmosphere. Our product, labelled as PanU CarbonCure™, is being marketed for use both locally and overseas.

In September 2019, Pan-United was the first and only concrete firm to be nationally acknowledged for its leadership in developing green building products. The award was jointly conferred by the Singapore Green Building Council (SGBC) and the Building and Construction Authority (BCA). The official recognition bore testimony to Pan-United's strong research and development capabilities in sustainable product innovation.

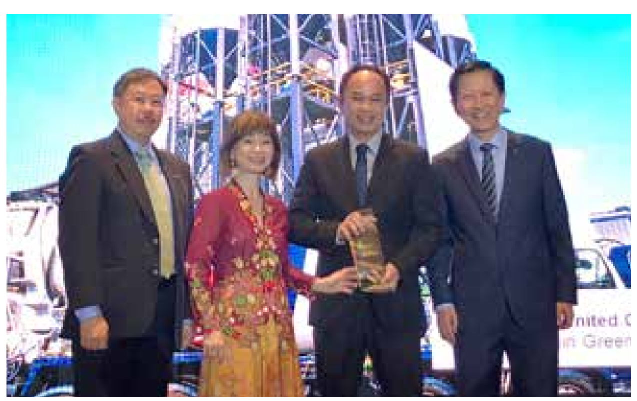


Top
PanU CarbonCure™ Concrete
A specialised concrete for carbon reduction, using CarbonCure's carbon dioxide injection technologies. This is one of our latest products in our suite of sustainable concrete solutions.

Left
Carbon Emission Savings
With the CarbonCure technology, Pan-United has the potential to save over 4,000 tonnes of CO_2 emissions annually at each of its concrete plants.

Below
Leadership Sustainability Award
Pan-United's Director of Operations Chan Wai Mun receives the SGBC-BCA Leadership Award from Dr Amy Khor, Senior Minister of State for the Environment and Water Resources.

In November 2019, Pan-United collaborated with the National Environment Agency (NEA) to produce The NEWSand Bench. It was 3D-printed in-house by Pan-United using NEWSand, a recycled slag material developed from the gasification of Municipal Solid Waste. NEWSand is an initiative of the Ministry of the Environment and Water Resources towards zero waste, and Pan-United is proud to partner with the government to embrace a circular economy in Singapore.

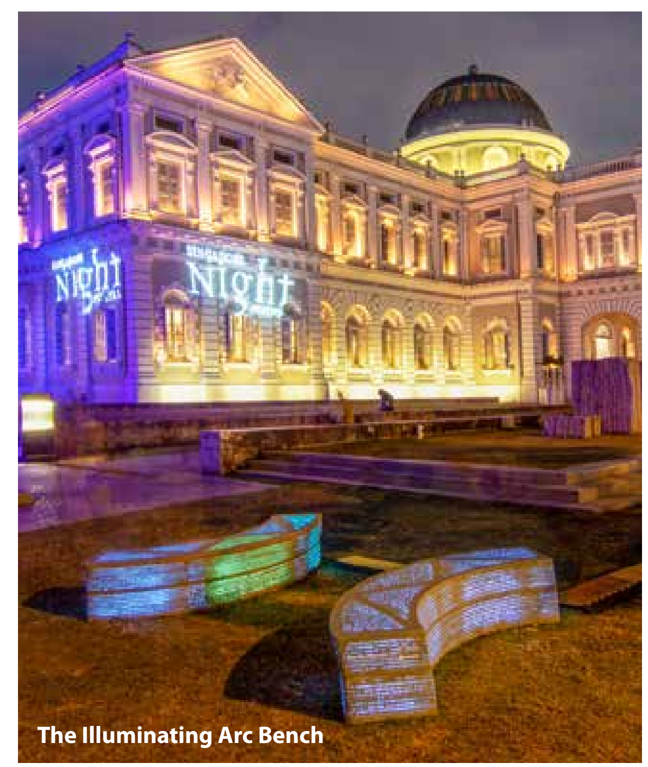


CONTRIBUTIONS TO THE ARTS & COMMUNITY

Partner of Heritage
Pan-United's Chief Operating Officer Ken Loh receiving the Partner of Heritage Award 2018 in recognition of our contribution of translucent concrete benches to the Singapore Night Festival.

In July 2019, Pan-United was recognised for our contributions to the arts at the Patron of Heritage Awards, where we were conferred the 'Partner' award, the third highest level of recognition.

Pan-United had supported the Singapore Night Festival 2018 with an art installation titled, The Illuminating Arc Bench, a concrete artwork which was designed and 3D-printed in-house using our translucent concrete product, PanU Illuma (right). It was the first time this new special concrete product - one of the latest in our range of more than 300 special products - was publicly showcased.



The Illuminating Arc Bench

Woodlands South MRT Station

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 2019 (FY2019) with specific reference to the Code. Explanations have been provided where there are deviations from the Code.

Board of Directors

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

i	Ch'ng Jit Koon	–	Chairman, Independent Director
ii	Patrick Ng Bee Soon	–	Deputy Chairman
iii	Ng Bee Bee	–	Chief Executive Officer
iv	Cecil Vivian Richard Wong	–	Independent Director
v	Tay Siew Choon	–	Independent Director
vi	Soh Ee Beng	–	Independent Director
vii	Fong Yue Kwong	–	Independent Director (Appointed on 1 March 2020)

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):
- Fong Yue Kwong

Director retiring pursuant to Regulation 89 of the Constitution:
- Patrick Ng Bee Soon

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 39 to page 43.

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.

Report on Corporate Governance (continued)

The Board's Conduct of Affairs (continued)

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 organizations.

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.

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 Ch'ng Jit Koon – 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)

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 FY2019 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	5	4	1	–	1
Patrick Ng Bee Soon	5	–	1	2	1
Ng Bee Bee	5	–	–	–	1
Cecil Vivian Richard Wong	5	4	–	2	1
Tay Siew Choon	5	4	1	2	1
Soh Ee Beng	5	4	–	–	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.

In light that each of the independent directors has served beyond nine years from the date of his first appointment, the Board, with the concurrence of the NC, performed a rigorous review of their independence, with each abstaining from the deliberation of his own independence. The dates of the first appointment for these directors are set out on page 30 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 Ch'ng Jit Koon, Cecil Vivian Richard Wong, Tay Siew Choon and Soh Ee Beng, 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, 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.

Report on Corporate Governance (continued)

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 Ch'ng Jit Koon – Chairman
ii Patrick Ng Bee Soon
iii Tay Siew Choon

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 date of appointment;
- to decide whether or not a director is able to and has been adequately carrying out his duties as director of the Company; 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.

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 criteria 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. No new director was appointed by the Company in FY2019. During the first quarter of 2020, Mr Fong Yue Kwong was appointed to the Board on 1 March 2020. Alternative directorships in the Company are not encouraged by the NC. The Company has no alternate directors on its 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
Ch'ng Jit Koon	86	Chairman, Independent Director	01/04/1997	26/04/2017
Patrick Ng Bee Soon	57	Deputy Chairman	25/05/1993	26/04/2017
Ng Bee Bee	52	Chief Executive Officer	31/01/2004	29/04/2019
Cecil Vivian Richard Wong	97	Independent Director	01/10/1992	26/04/2018
Tay Siew Choon	72	Independent Director	01/02/2005	29/04/2019
Soh Ee Beng	52	Independent Director	17/12/2018	29/04/2019
Fong Yue Kwong	67	Independent Director	01/03/2020	-

Notes
1) Information on directors' shareholdings in the Company and its related companies is set out on page 44 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 FY2019, 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 three non-executive directors, the majority of whom, including the RC Chairman, are independent directors, namely:

i Tay Siew Choon – Chairman
ii Cecil Vivian Richard Wong
iii Patrick Ng Bee Soon

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.

Report on Corporate Governance (continued)

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 FY2019:

Remuneration bands & name of director	Base salary/ Directors' fees	Performance-related bonus	Share options granted
Below $500,000			
Ng Bee Bee	35%	65%	–
Below $250,000			
Ch'ng Jit Koon	100%	–	150,000
Patrick Ng Bee Soon	100%	–	–
Cecil Vivian Richard Wong	100%	–	150,000
Tay Siew Choon	100%	–	150,000
Soh Ee Beng	100%	–	–

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.

No employee of the Group who is an immediate family member of the CEO, a director or a substantial shareholder was paid remuneration that exceeded $100,000 for FY2019.

The RC also reviews the Company's obligations arising in the event of termination of any executive directors' 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 45 and 46 of the Annual Report. In accordance with Rule 704(29) of the Listing Rules, the necessary SGXNET announcement of the FY2019 share options granted was made on 19 November 2019.

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 quarterly 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 ensuring 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 FY2019, 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 and internal control systems may need to be adjusted accordingly from time to time, and that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, fraud and other irregularities.

Key Risks facing the Group

The Group is vulnerable to a number of risks applicable to the industries and the areas in which it operates. The Group's approach to financial risk management is listed on page 90 to 94 of the Annual Report. The following are some of the other key risks which could materially and adversely affect the Group's businesses, financial conditions or results of operation.

Business risk

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 subject to the risk of cargo quality. To help manage these risks, the division will continue to maintain 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 and it is critical in enhancing the Group's operational risk management process.

Report on Corporate Governance (continued)

Risk Management and Internal Controls (continued)

Investment risk

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

Information technology risk

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

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

Audit Committee

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

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

i Cecil Vivian Richard Wong – Chairman
ii Ch'ng Jit Koon
iii Tay Siew Choon
iv 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 judgments 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 quarterly 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 2019;
– 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 FY2019, 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 models for the goodwill impairment assessments, 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 47.
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 judgment 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 48.

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 FY2019 is disclosed in the financial note 5 on page 71 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 2020.

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 FY2019.

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 the financial year ending 31 December 2020.

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

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.

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.

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 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.

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 disclosed 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 conducts analyst briefings to maintain regular dialogue with shareholders as well as to solicit and understand the views of shareholders. The Company does not practise selective disclosure. Price-sensitive announcements and quarterly and full-year results 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.

The annual reports and other communications to the shareholders, such as Notices of Annual General Meeting (AGM), Letters to Shareholders, Circulars and Proxy Forms, are published on the Company's corporate website. All shareholders of the Company will receive the notice of AGM, proxy form and request form to request for a printed copy of the annual report and Letter to Shareholders if they still wish to receive them in paper form.

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.

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/goverment 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 pay-outs • Any matters affecting the Group	• Provision of quarterly announcements and investor-related information on company website • Annual report, Sustainability report and other communications such as notices and letters to shareholders, and Proxy Forms on 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	• Annual Dinner, Sports day, Safety day • Staff meetings and discussions • Training programmes, • E-learning portal • Internal emails	• 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.

Report on Corporate Governance (continued)

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 two weeks before the announcement of the Company's quarterly results and one month before the announcement of the full-year results. In addition, directors and employees are made aware that insider trading laws are applicable at all times. The Company issues quarterly 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 FY2019.

On behalf of the Board of Directors,

Ch'ng Jit Koon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
24 March 2020

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 COMING ANNUAL GENERAL MEETING IS SET OUT BELOW

Name of Director	Fong Yue Kwong	Patrick Ng Bee Soon
Date of Appointment	1 March 2020	25 May 1993
Date of last re-appointment	N.A.	26 April 2017
Age	67	57
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	Deputy Chairman Executive Committee Member Nominating Committee Member Remuneration Committee Member
Professional qualifications	Master in Business Administration degree Diploma in Industrial Management Bachelor of Engineering (Mechanical) degree	Bachelor of Science degree
Working experience and occupation(s) during the past 10 years	2001 - 2011 President, Jurong Port Pte Ltd (a wholly-owned subsidiary of JTC Corporation) 2011 - 2013 Executive Director, Global Maritime and Port Services Pte Ltd 2013 - 2016 Advisor (Offshore & Marine Supply Base), Keppel Logistics Pte Ltd (a subsidiary of Keppel Corporation) 2013 to 2017 Advisor (Offshore Logistics), Pacific International Lines (Pte) Ltd 2014 to 2016 Senior Advisor, Shenzhen Chiwan Petroleum Supply Base Co. Ltd	2011 – current Deputy Chairman of the Company 2004 – 2011 Chief Executive Officer of the Company 2017 – current Executive Chairman of Xinghua Port Holdings Ltd

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 COMING ANNUAL GENERAL MEETING IS SET OUT BELOW

Name of Director	Fong Yue Kwong	Patrick Ng Bee Soon
Shareholding interest in the listed issuer and its subsidiaries	Nil	Mr Ng holds 34,962,037 ordinary shares in the Company.
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	Mr Fong Yue Kwong was a non-executive director (not an employee) of Changshu Xinghua Port Co. Ltd (CXP) from October 2013 to January 2018. CXP was a principal subsidiary of Xinghua Port Holdings Ltd, which was demerged from the Pan-United Group to be a separately listed company in February 2018.	Mr Patrick Ng Bee Soon is brother of: Mr Ng Han Whatt and Ms Jane Kimberly Ng Bee Kiok (substantial shareholders); and Ms Ng Bee Bee (Chief Executive Officer and substantial shareholder).
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
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	Chiwan Development (Singapore) Pte Ltd Changshu Xinghua Port Co. Ltd	Pan-United Shipping Pte Ltd
Present	Kwong Wai Shiu Hospital, Singapore	Pan-United Concrete Pte Ltd Pan-United Industries Pte Ltd PanU Harmony Pte Ltd United Bulk Shipping Pte Ltd United Cement Pte Ltd Changshu Changjiang International Port Co. Ltd Changshu Westerlund Warehousing Co. Ltd Changshu Xinghua Port Co. Ltd Singapore Changshu Development Company Pte Ltd Xinghua Port Holdings Ltd

Name of Director	Fong Yue Kwong	Patrick Ng Bee Soon
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 COMING ANNUAL GENERAL MEETING IS SET OUT BELOW

Name of Director	Fong Yue Kwong	Patrick Ng Bee Soon
(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	Mr Patrick Ng Bee Soon is a director of Changshu Changjiang International Port Co., Ltd. (CCIP), an indirect subsidiary of Xinghua Port Holdings Ltd (XPH). XPH is a Singapore-incorporated company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr Ng is also the Executive Chairman of XPH. In 2018, the Suzhou Safety Supervision Bureau of the People's Republic of China investigated CCIP for a breach of safety regulations relating to a cargo unloading operation incident. Following the investigation, an administrative penalty was imposed on CCIP. Mr Ng was not named in the investigation and no administrative penalty or other finding of liability was imposed on or issued against Mr Ng.

Name of Director	Fong Yue Kwong	Patrick Ng Bee Soon
(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 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 2019.

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 2019 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:

Ch'ng Jit Koon – Chairman, Independent Director
Patrick Ng Bee Soon – Deputy Chairman
Ng Bee Bee – Chief Executive Officer
Cecil Vivian Richard Wong – Independent Director
Tay Siew Choon – Independent Director
Soh Ee Beng – Independent Director
Fong Yue Kwong – Independent Director (Appointed on 1 March 2020)

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 21 January 2020**	**At the beginning of financial year**	**At the end of financial year**	**At 21 January 2020**
The Company						
Pan-United Corporation Ltd						
(ordinary shares)						
Ch'ng Jit Koon	1,810,000	1,810,000	1,960,000	–	–	–
Patrick Ng Bee Soon	34,962,037	34,962,037	34,962,037	–	–	–
Ng Bee Bee	–	–	–	408,375,002*	408,375,002*	408,375,002*
Cecil Vivian Richard Wong	625,000	625,000	625,000	–	–	–
Tay Siew Choon	1,037,500	1,037,500	1,037,500	–	–	–

* These include 191,250,000 (as at 1 January 2019: 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 21 January 2020**	**At the beginning of financial year**	**At the end of financial year**	**At 21 January 2020**
(options to subscribe for ordinary shares)						
Ch'ng Jit Koon	627,200	613,600	463,600	–	–	–
Cecil Vivian Richard Wong	627,200	613,600	613,600	–	–	–
Tay Siew Choon	790,800	777,200	777,200	–	–	–

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.

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 date of appointment if later, 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 2019 are as follows:

			Number of share options
Date granted	**Exercise price/ Adjusted exercise price***	**Exercise period**	**At date of grant and at 31 December 2019**
18/11/2011	$0.43/0.27	18/11/2012 - 17/11/2021	61,200
15/11/2012	$0.62/0.39	15/11/2013 - 14/11/2022	522,700
20/11/2013	$0.91/0.58	20/11/2014 - 19/11/2023	1,595,300
19/11/2014	$0.80/0.51	19/11/2015 - 18/11/2024	1,677,400
19/11/2015	$0.55/0.35	19/11/2016 - 18/11/2020	327,200
19/11/2015	$0.55/0.35	19/11/2016 - 18/11/2025	1,482,200
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	1,848,000
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	1,460,000
16/11/2018	$0.27	16/11/2019 - 15/11/2023	450,000
16/11/2018	$0.27	16/11/2019 - 15/11/2028	1,535,000
19/11/2019	$0.345	19/11/2020 - 18/11/2024	450,000
19/11/2019	$0.345	19/11/2020 - 18/11/2029	1,915,000
			14,578,400

* The adjustments which 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 2019, the Company has granted 450,000 options to non-executive directors of the Company and 1,915,000 options to certain employees of the Group, at the exercise price of $0.345. Details of these options granted are as follows:

Exercisable date	Expiry date	Number of options
19/11/2020	18/11/2024	450,000
19/11/2020	18/11/2029	574,500
19/11/2021	18/11/2029	574,500
19/11/2022	18/11/2029	766,000
		2,365,000

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

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

(i) the Scheme 2002 is administered by the Remuneration Committee, comprising three directors, Mr Tay Siew Choon (Chairman), Mr Cecil Vivian Richard Wong and Mr Patrick Ng Bee Soon;

(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
Ch'ng Jit Koon	150,000	2,530,800	(1,440,000)	(477,200)	613,600
Cecil Vivian Richard Wong	150,000	2,530,800	(1,440,000)	(477,200)	613,600
Tay Siew Choon	150,000	2,234,400	(830,000)	(627,200)	777,200
	450,000	7,296,000	(3,710,000)	(1,581,600)	2,004,400

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 2020.

7. Auditor

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

On behalf of the Board of Directors,

Ch'ng Jit Koon
Chairman

Ng Bee Bee
Chief Executive Officer

Singapore
24 March 2020

INDEPENDENT AUDITOR'S REPORT

For the Financial Year ended 31 December 2019

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 2019, 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 2019 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

At 31 December 2019, the Group has goodwill arising from past acquisition in PT. Pacific Granitama of $2.3 million. We considered impairment assessment of goodwill to be a key audit matter as this involved significant management's judgement about future results of the Group's business. Based on the annual impairment testing, no impairment was required as at 31 December 2019.

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, inflation rates, discount rate, revenue and margin estimates. 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 involved our internal specialist to assist us in evaluating the reasonableness of the discount rate applied in the value-in-use calculation. We also assessed management's sensitivity analysis of the goodwill balance to changes in the key assumptions.

Finally, we considered the adequacy of the note disclosures in Note 13 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 2019, gross trade receivables of the Group and allowance for expected credit losses amounted to $162.0 million and $5.9 million respectively. Trade receivables were significant to the Group as they represented 37% 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. As the impairment assessment on these trade receivables required significant management judgment in estimating the expected credit losses (ECL), we determined this area to be 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 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 the key assumptions used by management to determine 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 also checked the mathematical accuracy of the calculations.

The Group's disclosures are included in Note 18 and Note 34c to the financial report, which outlines the accounting policy for determining the allowance for expected credit losses and details of the period on period movement in gross and net trade receivables.

Other Information
Management is responsible for 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 Low Yen Mei.

Ernst & Young LLP
Public Accountants and Chartered Accountants

Singapore
24 March 2020

CONSOLIDATED INCOME STATEMENT

For the Financial Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue	4	**768,258**	863,530
Other income	5a	**3,460**	2,900
Raw materials, subcontract costs and other direct costs		**(635,371)**	(755,176)
Staff costs	6	**(42,149)**	(37,292)
Depreciation and amortisation expenses		**(23,995)**	(17,571)
Other expenses	5b	**(39,832)**	(44,918)
Finance costs	7	**(5,266)**	(4,423)
Share of results of associate		**1,074**	1,893
Profit before tax from continuing operations	5	**26,179**	8,943
Income tax expense	8	**(5,250)**	(2,399)
Profit from continuing operations, net of tax		**20,929**	6,544
Discontinued operations			
Profit from discontinued operations, net of tax	9	**–**	1,007
Profit for the year		**20,929**	7,551
Attributable to			
Equity holders of the Company			
Profit from continuing operations, net of tax		**20,511**	6,072
Profit from discontinued operations, net of tax		**–**	878
Profit for the year attributable to equity holders of the Company		**20,511**	6,950
Non-controlling interests			
Profit from continuing operations, net of tax		**418**	472
Profit from discontinued operations, net of tax		**–**	129
Profit for the year attributable to non-controlling interests		**418**	601
Earnings per share from continuing operations attributable to equity holders of the Company (cents per share)			
Basic	10	**2.93**	0.87
Diluted	10	**2.93**	0.87
Earnings per share (cents per share)			
Basic	10	**2.93**	0.99
Diluted	10	**2.93**	0.99

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 2019

	2019 $'000	2018 $'000
Profit for the year	**20,929**	7,551
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Foreign currency translation	**363**	1,563
Fair value changes of derivatives	**(785)**	1,933
Fair value changes of other investments	**(252)**	–
Other comprehensive income for the year, net of tax	**(674)**	3,496
Total comprehensive income for the year	**20,255**	11,047
Attributable to		
Equity holders of the Company	**19,817**	10,101
Non-controlling interests	**438**	946
Total comprehensive income for the year	**20,255**	11,047
Attributable to equity holders of the Company		
Total comprehensive income from continuing operations, net of tax	**19,817**	7,116
Total comprehensive income from discontinued operations, net of tax	**–**	2,985
Total comprehensive income for the year attributable to equity holders of the Company	**19,817**	10,101

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

BALANCE SHEETS
As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Non-current assets			
Property, plant and equipment	11	**189,603**	180,052
Intangible assets	13	**5,659**	4,888
Associate	15	**3,388**	3,078
Other investments	16	**155**	407
Trade and other receivables	18	**168**	665
Deferred tax assets	26	**871**	679
		199,844	189,769
Current assets			
Inventories	17	**22,364**	22,293
Prepayments		**1,958**	1,825
Trade and other receivables	18	**159,686**	149,389
Derivatives	27	**–**	423
Other assets	19	**8,605**	10,259
Cash and short-term deposits	20	**49,646**	47,894
		242,259	232,083
Current liabilities			
Loans and borrowings	21	**57,829**	62,274
Lease liabilities	22	**6,621**	–
Payables and accruals	23	**83,710**	76,442
Deferred income	24	**324**	5,244
Provisions	25	**1,441**	1,163
Income tax payable		**6,095**	2,021
Derivatives	27	**362**	–
		156,382	147,144
Net current assets		**85,877**	84,939
Non-current liabilities			
Loans and borrowings	21	**49,064**	64,192
Lease liabilities	22	**15,624**	–
Deferred tax liabilities	26	**6,858**	7,704
Other liability	23	**–**	539
Provisions	25	**3,598**	3,949
		75,144	76,384
Net assets		**210,577**	198,324
Equity attributable to equity holders of the Company			
Share capital	28a	**12,645**	12,645
Treasury shares	28b	**(957)**	(957)
Reserves		**190,628**	179,852
		202,316	191,540
Non-controlling interests		**8,261**	6,784
Total equity		**210,577**	198,324

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

	Note	Company 2019 $'000	Company 2018 $'000
Non-current assets			
Property, plant and equipment	11	**201**	248
Intangible assets	13	**370**	370
Subsidiaries	14	**92,552**	92,552
Other investments	16	**152**	404
		93,275	93,574
Current assets			
Prepayments		**80**	305
Trade and other receivables	18	**28,466**	22,487
Derivatives	27	**–**	423
Cash and short-term deposits	20	**28,388**	27,681
		56,934	50,896
Current liabilities			
Payables and accruals	23	**14,284**	17,760
Income tax payable		**114**	32
Derivatives	27	**362**	–
		14,760	17,792
Net current assets		**42,174**	33,104
Non-current liabilities			
Loans and borrowings	21	**19,867**	19,787
Net assets		**115,582**	106,891
Equity attributable to equity holders of the Company			
Share capital	28a	**12,645**	12,645
Treasury shares	28b	**(957)**	(957)
Reserves		**103,894**	95,203
Total equity		**115,582**	106,891

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 2019

	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.

	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	Reserves of disposal group classified as held for sale $'000	Total reserves $'000	$'000	$'000
Group 2018									
Balance at 1 January 2018	151,799	(957)	(697)	142,014	(179)	36,914	178,052	39,015	367,909
Profit for the year	–	–	–	6,072	–	878	6,950	601	7,551
Other comprehensive income									
Foreign currency translation	–	–	(889)	–	–	2,107	1,218	345	1,563
Fair value changes of derivatives	–	–	–	–	1,933	–	1,933	–	1,933
Other comprehensive income for the year, net of tax	–	–	(889)	–	1,933	2,107	3,151	345	3,496
Total comprehensive income for the year	–	–	(889)	6,072	1,933	2,985	10,101	946	11,047
Contributions by and distributions to equity holders									
Share-based payment (share options) (Note 6)	–	–	–	–	51	–	51	–	51
Proceeds from dilution of investment in a subsidiary	–	–	–	–	–	–	–	3	3
Dividends on ordinary shares (Note 37)	–	–	–	(5,607)	–	–	(5,607)	–	(5,607)
Distribution in specie	–	–	–	–	37,154	(39,899)	(2,745)	(32,513)	(35,258)
Capital reduction	(139,154)	–	–	–	–	–	–	–	(139,154)
Total transactions with equity holders in their capacity as equity holders	(139,154)	–	–	(5,607)	37,205	(39,899)	(8,301)	(32,510)	(179,965)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(667)	(667)
Balance at 31 December 2018	12,645	(957)	(1,586)	142,479	38,959	–	179,852	6,784	198,324

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 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 investments	**–**	**–**	**–**	**(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**
Company 2018						
Balance at 1 January 2018	151,799	(957)	53,320	(179)	53,141	203,983
Profit for the year	–	–	8,531	–	8,531	8,531
Other comprehensive income						
Fair value changes of derivatives	–	–	–	1,933	1,933	1,933
Other comprehensive income for the year, net of tax	–	–	–	1,933	1,933	1,933
Total comprehensive income for the year	–	–	8,531	1,933	10,464	10,464
Share-based payment (share options) (Note 6)	–	–	–	51	51	51
Dividends on ordinary shares (Note 37)	–	–	(5,607)	–	(5,607)	(5,607)
Distribution in specie	–	–	–	37,154	37,154	37,154
Capital reduction	(139,154)	–	–	–	–	(139,154)
Balance at 31 December 2018	12,645	(957)	56,244	38,959	95,203	106,891

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 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit before tax from continuing operations		**26,179**	8,943
Profit before tax from discontinued operations	9	**–**	1,485
Profit before tax, total		**26,179**	10,428
Adjustments for:			
Depreciation expenses	11	**23,615**	18,182
Amortisation of intangible assets	13	**380**	234
Amortisation of upfront fees	21	**130**	(211)
Interest income	5a	**(380)**	(351)
Interest expense	7	**4,915**	3,947
Net loss/(gain) on disposal of property, plant and equipment	5	**164**	(25)
Bad debts written off		**18**	–
Impairment loss on trade receivables	5b	**1,461**	2,863
Write-down of inventories	5b	**–**	62
Net gain on disposal of intangible assets	5a	**–**	(29)
Reversal of provisions	25	**(50)**	(215)
Write-off of property, plant and equipment	5b	**840**	327
Write-off of intangible assets	5b	**22**	–
Fair value changes of derivatives		**–**	(117)
Share-based payment expenses	6	**71**	51
Share of results of associate		**(1,074)**	(2,078)
Foreign exchange differences		**211**	(1,001)
Operating cash flows before changes in working capital		**56,502**	32,067
Changes in working capital:			
Increase in trade and other receivables		**(11,279)**	(13,621)
(Increase)/decrease in prepayments		**(133)**	889
(Increase)/decrease in inventories		**(71)**	11,999
Decrease/(increase) in other assets		**1,654**	(5,628)
Increase/(decrease) in payables, accruals and provisions		**7,616**	(17,275)
Decrease in deferred income		**(4,920)**	(120)
Cash flows from operations		**49,369**	8,311
Interest paid		**(4,915)**	(3,947)
Income tax paid		**(2,214)**	(2,723)
Interest received		**380**	351
Net cash flows from operating activities		**42,620**	1,992
Cash flows from investing activities			
Additions to property, plant and equipment	Note A	**(4,779)**	(11,424)
Additions to intangible assets	13	**(1,173)**	(811)
Proceeds from disposal of property, plant and equipment		**71**	67
Net cash outflow on de-merger of subsidiaries		**–**	(3,820)
Proceeds from disposal of intangible assets		**–**	42
Dividend income from associates		**764**	2,543
Net cash flows used in investing activities		**(5,117)**	(13,403)
Cash flows from financing activities			
Proceeds from bank borrowings		**76,984**	108,161
Repayment of bank borrowings		**(96,419)**	(106,400)
Payment of principal portion of lease liabilities		**(6,492)**	–
Proceeds from issuance of redeemable preference shares		**–**	3
Dividends paid to shareholders	37	**(9,112)**	(5,607)
Dividends paid to non-controlling interests		**(497)**	(667)
Net cash flows used in financing activities		**(35,536)**	(4,510)
Net increase/(decrease) in cash and cash equivalents		**1,967**	(15,921)
Cash and cash equivalents as at beginning of year		**47,894**	63,133
Effects of exchange rate changes on opening cash and cash equivalents		**(215)**	682
Cash and cash equivalents as at end of year	20	**49,646**	47,894
Note A: Reconciliation of additions to property, plant and equipment			
Additions to property, plant and equipment	11	**7,020**	12,527
Less: Non-cash additions to right-of-use assets		**(1,591)**	–
Less: Provision for reinstatement cost during the financial year	25	**(650)**	(1,235)
Add: Additions in relation to discontinued operations		**–**	132
		4,779	11,424

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 14 and Note 15 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)).

This is the first set of the Group's annual financial statements in which SFRS(I) 16 Leases has been applied. The related changes to significant accounting policies are described in Note 2.2.

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 2019

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 2019. Except for the impact arising from the adoption of SFRS(I) 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases-Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The Group has lease contracts for various leasehold land, building, motor vehicles, plant and machinery and other assets used in its operations. Before the adoption of SFRS(I) 16, the Group classified its leases (as lessee) at the inception date as an operating lease. The Group does not have any finance leases. Refer to Note 2.8 for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.8 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all the leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the short-term lease exemption to leases with lease term that ends within 12 months of the date of initial application;
- applied the lease of low-value assets exemption to leases of assets that are considered to be low value; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, the effect of adoption of SFRS(I) 16 on the Group as at 1 January 2019 is as follows:

- Right-of-use assets of $27,167,000 were recognised and included in property, plant and equipment.
- Lease liabilities of $27,167,000 were recognised and presented separately on the balance sheet.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

	$'000
Operating lease commitments at 31 December 2018	21,957
Less:	
Commitments relating to short-term leases	(321)
Commitments relating to leases of low-value assets	(14)
Service expenses included in operating lease commitments as at 31 December 2018	(336)
Add:	
Extension options reasonably certain to be exercised	8,189
	29,475
Weighted average incremental borrowing rate as at 1 January 2019	2.1%
Lease liabilities recognised at 1 January 2019	27,167

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 References to Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020
Interest Rate Benchmark Reform – Amendments to SFRS(I) 9, SFRS(I)1-39 and SFRS(I) 7	1 January 2020
SFRS(I) 17 Insurance contracts	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28: 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 conceptual Framework for Financial Reporting and 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations (continued)

(a) Basis of consolidation (continued)

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

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; 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.

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.

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 value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

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

2.8 Leases

Policy applicable from 1 January 2019

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.8 Leases (continued)

(a) As lessee (continued)

(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 22.

(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 2.23e.

Policy applicable prior to 1 January 2019

(a) As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

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

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 amortisation period and the amortisation method are reviewed at least 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 derecognised.

(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. Deferred 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 deferred 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. Deferred 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 of continuing operations 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

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

Deferred income from coal trading is recognised as revenue when the Group satisfies the performance obligation at a point in time, which is when the control of the coal has been transferred to the customer, depending on the contractual terms and the practices in the legal jurisdictions.

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.

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) Investments 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 derecognised 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.

Derecognition

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. On derecognition, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

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 determined on the weighted average method and includes all cost incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and after making allowance for damaged, obsolete and slow-moving items.

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 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 capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. 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.

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, as well as interest rate swap as hedges of its exposure to interest rate risk. Refer to Note 27 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 plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee share option plans

The Company has in place the Pan-United Share Option Scheme (Scheme 2002) for granting of options (equity-settled transactions) to eligible 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.

(c) Employee leave entitlement

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

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.23 Revenue (continued)

(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) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(e) Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.24 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 income 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 unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

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

– In respect of deductible temporary differences associated with investments in subsidiaries 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

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

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

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

2.25 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.

2.26 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 (subsidiary of the Group).

2.27 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.

2.28 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.29 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

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 revenues, 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 2019 is disclosed in Note 18.

(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 13.

The carrying amount of goodwill as at 31 December 2019 is disclosed in Note 13.

4. Revenue

	Group	
	2019 $'000	2018 $'000
Sale of goods	**759,851**	855,058
Rendering of services	**8,407**	8,472
	768,258	863,530

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 from continuing operations

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 from continuing operations:

	Group	
	2019 $'000	2018 $'000
(a) Other income		
Agency and brokerage income	**869**	864
Government grant	**1,016**	544
Interest income from financial assets	**380**	351
Net gain on disposal of property, plant and equipment	**–**	25
Net gain on disposal of intangible assets	**–**	29
(b) Other expenses		
Rental of equipment, maintenance and consumables	**18,978**	17,620
Land rental and other related expenses	**5,337**	12,257
Expenses relating to short-term leases	**285**	–
Expenses relating to leases of low-value assets	**4**	–
Utilities and telecommunication charges	**5,650**	4,769
Impairment loss on trade receivables	**1,461**	2,863
Marketing expenses	**692**	1,267
Professional fees	**949**	792
Write-off of property, plant and equipment	**840**	327
Write-off of intangible assets	**22**	–
Net loss on disposal of property, plant and equipment	**164**	–
Insurance expenses	**314**	309
Write-down of inventories	**–**	62
Audit fees paid to Auditor of the Company	**258**	261
Non-audit fees paid to Auditor of the Company	**16**	49

6. Staff costs

	Group	
	2019 $'000	2018 $'000
Staff costs (including directors)		
Salaries, allowances and bonuses	**35,016**	31,591
Central Provident Fund and other retirement contribution plans	**2,848**	2,307
Share-based payment (share options)	**71**	51
Other personnel-related expenses	**4,214**	3,343
	42,149	37,292

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Staff costs (continued)

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.

	2019 No. of share options	2019 WAEP/ Adjusted WAEP ($)	2018 No. of share options	2018 WAEP Adjusted WAEP ($)
Outstanding at beginning of year	**12,898,800**	**0.60/0.40**	12,401,400	0.67/0.43
Granted during the year (Note a)	**2,365,000**	**0.345**	1,995,000	0.27
Forfeited during the year	**(685,400)**	**0.78/0.50**	(1,497,600)	0.78/0.50
Outstanding at end of year (Note c)	**14,578,400**	**0.55/0.38**	12,898,800	0.60/0.40
Exercisable at end of year	**9,789,900**	**0.60/0.41**	9,101,800	0.68/0.43

Notes

(a) The weighted average fair value of options granted during the year was $0.08 (2018: $0.06).

(b) No options were exercised in 2019 and 2018.

(c) The range of exercise prices for options outstanding at the end of the year was $0.27 to $0.58 (2018: $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 (2018: 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:

	2019	2018
Dividend yield (%)	**3.77**	2.96
Expected volatility (%)	**37.20**	33.10
Risk-free interest rate (%)	**1.62**	2.01
Average expected life of option (years)	**4.52**	4.44
Share price ($) at grant date	**0.345**	0.27

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 2019 $'000	Group 2018 $'000
Interest expense on loans and borrowings	**4,451**	3,947
Interest expense on lease liabilities (Note 22)	**464**	–
Bank charges	**351**	476
	5,266	4,423

8. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group 2019 $'000	Group 2018 $'000
Consolidated income statement		
Current income tax – continuing operations		
Current income taxation	**6,402**	2,294
Over provision in respect of previous years	**(114)**	(475)
Deferred income tax – continuing operations		
Origination and reversal of temporary differences	**(538)**	529
Over provision in respect of previous years	**(547)**	(150)
Provision for withholding tax on undistributed earnings of foreign associate	**47**	201
Income tax attributable to continuing operations	**5,250**	2,399
Income tax attributable to discontinued operations (Note 9)	**–**	478
Income tax expense recognised in profit or loss	**5,250**	2,877

(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 2019 and 2018 are as follows:

	Group 2019 $'000	Group 2018 $'000
Profit before tax from continuing operations	**26,179**	8,943
Profit before tax from discontinued operations (Note 9)	**–**	1,485
Accounting profit before tax	**26,179**	10,428
Tax at the domestic rates applicable to profits in the countries where the Group operates	**4,250**	1,626
Adjustments:		
Non-deductible expenses	**1,626**	1,384
Effect of partial tax exemption and tax incentives	**(211)**	(342)
Income not subject to taxation	**(175)**	(118)
Over provision in respect of previous years	**(661)**	(625)
Provision for withholding tax on undistributed earnings of foreign associate	**47**	201
Benefits from previously unrecognised tax losses	**–**	(9)
Deferred tax assets not recognised	**455**	683
Others	**(81)**	77
Income tax expense recognised in profit or loss	**5,250**	2,877

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Discontinued operations

At the Extraordinary General Meeting held on 13 October 2017, the shareholders of the Company approved the de-merger exercise of the Ports Business, under Xinghua, as a separate entity. The de-merger exercise was completed on 7 February 2018 and Xinghua was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 February 2018.

In accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations, the results of the Ports Business in the prior year have been presented separately on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, as discontinued operations.

Income statement disclosures

The results of the discontinued operations for the year ended 31 December 2018 are as follows:

	Group
	2018 $'000
Revenue	7,754
Other income	10
Expenses	(5,888)
Profit from operations	1,876
Finance costs	(576)
Share of results of associates	185
Profit before tax from discontinued operations	1,485
Taxation (Note 8)	(478)
Profit from discontinued operations, net of tax	1,007

Cash flow statement disclosures

The cash flows attributable to the discontinued operations for the year ended 31 December 2018 are as follows:

	Group
	2018 $'000
Operating	5,840
Investing	(132)
Financing	(2,080)
Net cash inflow	3,628

Earnings per share disclosures

Earnings per share from discontinued operations attributable to equity holders of the Company (cents per share) are as follows:

	Group
	2018
Basic	0.13
Diluted	0.13

The basic and diluted earnings per share from discontinued operations are calculated by dividing the profit from discontinued operations, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in the tables in Note 10.

10. Earnings per share

Basic earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, 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 year ended.

	Group	
	2019 $'000	2018 $'000
Profit for the year attributable to equity holders of the Company	**20,511**	6,950
Less: Profit from discontinued operations, net of tax, attributable to equity holders of the Company	**–**	(878)
Profit from continuing operations, net of tax, attributable to equity holders of the Company used in the computation of basic earnings per share from continuing operations	**20,511**	6,072

	2019 No. of shares '000	2018 No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	**700,886**	700,886
Effect of dilution on share options	**97**	13
Weighted average number of ordinary shares for diluted earnings per share computation	**700,983**	700,899

11. 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 2018	8,025	23,002	159,791	13,688	64,354	268,860
Additions	–	32	7,957	1,418	3,120	12,527
Disposals	–	(78)	(1,905)	(4,065)	–	(6,048)
Write-off	–	–	(1,267)	(12)	–	(1,279)
Reclassification	–	4,002	60,446	1,471	(65,919)	–
Exchange differences	(34)	(159)	(1,925)	(982)	1,378	(1,722)
At 31 December 2018 and 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	37,848	27,096	222,469	14,220	1,916	303,549
Accumulated depreciation						
At 1 January 2018	3,708	4,905	70,252	4,144	–	83,009
Depreciation charge for the year	135	903	14,344	1,955	–	17,337
Disposals	–	(78)	(1,877)	(4,051)	–	(6,006)
Write-off	–	–	(940)	(12)	–	(952)
Exchange differences	(1)	(58)	(335)	(708)	–	(1,102)
At 31 December 2018 and 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	11,400	6,652	92,131	3,763	–	113,946
Net carrying amount						
At 31 December 2018	4,149	21,127	141,653	10,190	2,933	180,052
At 31 December 2019	26,448	20,444	130,338	10,457	1,916	189,603

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Property, plant and equipment (continued)

Company	Other assets $'000
At 1 January 2018	841
Additions	41
Disposal	(10)
At 31 December 2018 and 1 January 2019	872
Additions	18
Disposal	(7)
At 31 December 2019	883
Accumulated depreciation	
At 1 January 2018	570
Depreciation charge for the year	63
Disposal	(9)
At 31 December 2018 and 1 January 2019	624
Depreciation charge for the year	65
Disposal	(7)
At 31 December 2019	682
Net carrying amount	
At 31 December 2018	248
At 31 December 2019	201

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 $23,620,000 relating to leased assets. Details of the leased assets is outlined in Note 12.

Assets pledged as security

The Group's property, plant and equipment with a carrying amount of $59,270,000 (2018: $64,224,000) are mortgaged to secure the Group's bank loans (Note 21).

12. 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 its 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

The following are the amounts recognised in profit or loss:

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

In 2019, the Group had total cash outflows for leases of $6,956,000 and non-cash additions to right-of-use assets of $1,624,000 and lease liabilities of $1,591,000.

Operating lease commitments – as lessee under SFRS(I) 1-17

Prior to adoption of SFRS(I) 16 on 1 January 2019, future minimum rentals payable under non-cancellable leases are as follows:

	Group 2018 $'000
Not later than one year	6,838
Later than one year but not later than five years	10,465
Later than five years	4,654
	21,957

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

Operating lease payments recognised in the consolidated income statement during the year ended 31 December 2018 amount to $11,239,000.

13. Intangible assets

Group	Goodwill $'000	Developed technology $'000	Product development costs $'000	Club memberships $'000	Total $'000
Cost					
At 1 January 2018	2,345	1,751	–	448	4,544
Additions:					
Internal development	–	811	–	–	811
Disposal	–	–	–	(16)	(16)
At 31 December 2018 and 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
Accumulated amortisation					
At 1 January 2018	–	165	–	55	220
Amortisation for the year	–	234	–	–	234
Disposal	–	–	–	(3)	(3)
At 31 December 2018 and 1 January 2019	–	399	–	52	451
Amortisation for the year	–	380	–	–	380
At 31 December 2019	–	779	–	52	831
Net carrying amount					
At 31 December 2018	2,345	2,163	–	380	4,888
At 31 December 2019	2,345	2,898	36	380	5,659

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Intangible assets (continued)

Company	Developed technology $'000	Club memberships $'000	Total $'000
Cost			
At 1 January 2018	660	370	1,030
Disposal	(660)	–	(660)
At 31 December 2018, 1 January 2019 and 31 December 2019	–	370	370
Accumulated amortisation			
At 1 January 2018	29	–	29
Amortisation for the year	26	–	26
Disposal	(55)	–	(55)
At 31 December 2018, 1 January 2019 and 31 December 2019	–	–	–
Net carrying amount			
At 31 December 2018	–	370	370
At 31 December 2019	–	370	370

The Group's developed technology has an average remaining amortisation period of 2 to 8 years (2018: 3 to 9 years) as at the financial year ended 31 December 2019.

Goodwill amounting to $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:

	2019	2018
Growth rates	**0 – 15% (a)**	0 – 17% (b)
Pre-tax discount rate	**12%**	12%

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

(b) 2019: 17% and 2020 onwards: 0%
Growth rate of 2019 has been forecasted at 17% as the production volume is expected to increase with the installation of a new quarry machine in 2019 and revenue is projected to be held constant for 2020 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, regarding 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 and is of the view that no impairment charge is required for the financial year ended 31 December 2019.

14. Subsidiaries

	Company 2019 $'000	Company 2018 $'000
Unquoted equity shares, at cost	**10,052**	10,052
Amounts due from subsidiaries	**82,500**	82,500
	92,552	92,552

	Company 2019 $'000	Company 2018 $'000
Movement in impairment account		
At 1 January	**–**	(2,466)
Write-back	**–**	2,466
At 31 December	**–**	–

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.

Impairment losses of $2,466,000 were recognised for two of its wholly-owned subsidiaries in the previous years. The group of companies held directly by one of these subsidiaries has been assessed as a single CGU in the Concrete and Cement business segment. In the financial year ended 31 December 2018, the Company assessed that the recoverable amounts are higher than the carrying amounts of the CGU/subsidiaries. Hence, the write-back of impairment losses of $2,466,000 were recorded in the prior year.

Details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding held by the Group 2019 %	Effective shareholding held by the Group 2018 %
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)

14. Subsidiaries (continued)

Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding held by the Group 2019 %	2018 %
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 (2019: under liquidation)	100	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

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.

15. Associate

The Group's investment in associate is summarised below:

	Group 2019 $'000	2018 $'000
PT. Lanna Harita Indonesia	**3,388**	3,078

Name of associate (Country of incorporation)	Principal activity	Percentage of equity interest 2019 %	2018 %
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 associate is audited by a member firm of EY Global in Indonesia.

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

Summarised balance sheet

	2019 $'000	2018 $'000
Current assets	**28,426**	34,104
Non-current assets	**38,057**	29,038
Total assets	**66,483**	63,142
Current liabilities	**22,830**	23,581
Non-current liabilities	**8,340**	7,283
Total liabilities	**31,170**	30,864
Net assets	**35,313**	32,278
Proportion of Group's ownership	**10%**	10%
Group's share of net assets	**3,531**	3,228
Other adjustments	**(143)**	(150)
Carrying amount of the investment	**3,388**	3,078

Summarised statement of comprehensive income

	2019 $'000	2018 $'000
Revenue	**153,249**	186,257
Profit after tax, representing total comprehensive income	**10,741**	18,930

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Fair value through other comprehensive income				
Unquoted equity investments	**155**	407	**152**	404

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.

17. Inventories

	Group	
	2019 $'000	2018 $'000
Balance sheet		
Raw materials	13,123	12,860
Finished goods	5,910	6,004
Consumables	3,331	3,429
	22,364	22,293
Consolidated income statement		
Inventories recognised as an expense in raw materials, subcontract costs and other direct costs	**519,965**	658,439
Inclusive of the following charge:		
- Write-down of inventories	**–**	62

18. Trade and other receivables

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current				
Trade receivables	**156,079**	144,562	**–**	–
Amounts due from subsidiaries	**–**	–	**27,891**	22,287
Refundable deposits	**1,744**	1,753	**2**	–
Sundry receivables	**1,863**	3,074	**573**	200
	159,686	149,389	**28,466**	22,487
Non-current				
Trade receivables	**–**	410	**–**	–
Refundable deposits	**168**	255	**–**	–
	168	665	**–**	–
Total trade and other receivables	**159,854**	150,054	**28,466**	22,487
Add: Cash and short-term deposits (Note 20)	**49,646**	47,894	**28,388**	27,681
Total financial assets carried at amortised cost	**209,500**	197,948	**56,854**	50,168

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 $85,898,000 (2018: $66,671,000) 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	
	2019 $'000	2018 $'000
At 1 January	**5,133**	3,829
Charge for the year	**1,867**	4,026
Written off	**(1,064)**	(2,722)
At 31 December	**5,936**	5,133

19. Other assets

Other assets relate to import quota as a right to import from traditional sources which is regulated by Building and Construction Authority (BCA). 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.

20. Cash and short-term deposits

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash at banks and on hand	**49,353**	47,597	**28,388**	27,681
Short-term deposits	**293**	297	**–**	–
	49,646	47,894	**28,388**	27,681

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 interests at the respective short-term deposit rates. Cash at banks earned interest at the average of 0.10% to 1.57% (2018: 0.10% to 1.57%) per annum. The effective interest rate of short-term deposits ranged from 0.50% to 6.80% (2018: 0.50% to 6.80%) per annum.

21. Loans and borrowings

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current				
Secured (Note a)	**17,990**	21,086	**–**	–
Unsecured (Note b)	**39,839**	41,188	**–**	–
	57,829	62,274	**–**	–
Non-current				
Secured (Note c)	**14,345**	14,603	**–**	–
Unsecured (Note d)	**34,719**	49,589	**19,867**	19,787
	49,064	64,192	**19,867**	19,787
Total loans and borrowings (excluding lease liabilities)	**106,893**	126,466	**19,867**	19,787

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. 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) $13,121,000 (2018: $14,899,000) is denominated in Vietnamese Dong and bears interest of 5.20% to 6.80% (2018: 6.23% to 6.58%) per annum.

(ii) $4,869,000 (2018: $6,187,000) is denominated in Malaysia Ringgit and bears interest from 5.06% to 5.28% (2018: 5.28% to 5.32%) per annum.

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

(i) $36,000,000 (2018: $36,000,000) is denominated in Singapore dollars and bears interest of 1.94% to 2.75% (2018: 1.94% to 2.55%) per annum.

(ii) $3,839,000 (2018: $5,188,000) is denominated in Malaysia Ringgit and bears interest of 4.92% to 5.15% (2018: 5.14%) per annum.

(c) The non-current secured bank loan of $14,345,000 (2018: $14,603,000) is denominated in Malaysia Ringgit and bears interest of 5.10% to 5.32% (2018: 5.32%) per annum. The loan is repayable between 2021 and 2024.

(d) The non-current unsecured bank loans of $35,000,000 (2018: $50,000,000) are denominated in Singapore dollars and bear interest, comprising fixed and variable components, of 2.83% to 3.33% (2018: 2.81% to 3.20%) per annum.

The loans are repayable between 2021 and 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 2019, the remaining unamortised upfront fees were $281,000 (2018: $411,000) and were netted off against the total non-current unsecured bank loans with the net amount being $34,719,000 (2018: $49,589,000).

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

	1 January 2019	Cash flows	Non-cash changes					31 December 2019
			Amortisation of upfront fees	Additions to right-of-use assets	Accretion of interest	Foreign exchange movement	Other	
	$'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 22)								
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

	1 January 2018	Cash flows	Non-cash changes					31 December 2018
			Amortisation of upfront fees	Additions to right-of-use assets	Accretion of interest	Foreign exchange movement	Other	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans								
Current	41,559	(9,074)	–	–	–	(90)	29,879	62,274
Non-current	81,342	12,915	(211)	–	–	25	(29,879)	64,192
Total	122,901	3,841	(211)	–	–	(65)	–	126,466

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

22. Lease liabilities

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

	Group 2019 $'000
At 1 January	27,167
Additions	1,591
Interest expense on lease liabilities	464
Payments	(6,956)
Exchange differences	(21)
At 31 December	22,245
Current	6,621
Non-current	15,624

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

23. Payables and accruals and other liability

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Payables and accruals (current)				
Trade payables	67,241	61,686	–	–
Other payables	4,615	4,744	226	159
Accruals	11,854	10,012	1,456	1,329
Amount due to subsidiaries	–	–	12,602	16,272
Total payables and accruals	83,710	76,442	14,284	17,760
Other liability (non-current)				
Advances from non-controlling interests	–	539	–	–
Total payables and accruals and other liability	83,710	76,981	14,284	17,760
Less: Sales tax payables	(1,034)	(603)	(87)	(77)
Add: Loans and borrowings (Note 21)	106,893	126,466	19,867	19,787
Add: Lease liabilities (Note 22)	22,245	–	–	–
Total financial liabilities carried at amortised costs	211,814	202,844	34,064	37,470

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.

Other liability

In prior year, other liability relates to advances from non-controlling interests, which is denominated in Vietnamese Dong, unsecured, non-trade in nature and bears interest of 7.10% per annum.

24. Deferred income

	Group 2019 $'000	Group 2018 $'000
Income recognisable within 12 months		
Coal trading	–	5,244
Voyages-in-progress	324	–
	324	5,244

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Provisions

	Group Reinstatement cost	
	2019 $'000	2018 $'000
At 1 January	5,112	4,433
Recognised during the year	650	1,235
Utilised	(673)	(341)
Unused amounts reversed	(50)	(215)
At 31 December	5,039	5,112
Current	1,441	1,163
Non-current	3,598	3,949

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.

26. Deferred tax

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

(a) **Deferred tax liabilities**

	Group	
	2019 $'000	2018 $'000
At 1 January	7,704	6,991
Origination and reversal of temporary differences	(893)	512
Provision for withholding tax on undistributed earnings of foreign associate	47	201
At 31 December	6,858	7,704
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	6,610	7,503
Provision for withholding tax on undistributed earnings of foreign associate	248	201
	6,858	7,704

(b) **Deferred tax assets**

	Group	
	2019 $'000	2018 $'000
At 1 January	679	475
Origination and reversal of temporary differences	192	204
At 31 December	871	679
The deferred tax assets principally arise as a result of:		
Provisions	871	679

Unrecognised tax losses

At the end of the reporting period, the Group has unutilised business losses of approximately $6,672,000 (2018: $5,795,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses 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, $5,011,000 of tax losses can only be carried forward for a maximum of 7 consecutive years of assessment (YA) commencing in YA2019.

Tax consequences of proposed dividends

There are no income tax consequences (2018: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 37).

27. Derivatives

	Group and Company					
	2019			2018		
	Contract/ Notional amount $'000	Asset $'000	Liability $'000	Contract/ Notional amount $'000	Asset $'000	Liability $'000
Forward currency contracts	71,959	–	362	64,652	423	–

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

28. Share capital and treasury shares

	Group and Company			
	2019		2018	
	No. of shares '000	$'000	No. of shares '000	$'000
(a) **Share capital**				
Issued and fully paid				
At 1 January	701,996	12,645	701,996	151,799
Distribution in specie	–	–	–	(139,154)
At 31 December	701,996	12,645	701,996	12,645

The Ports business, under Xinghua was de-merged as a separate entity on 7 February 2018 and was listed on The Stock Exchange of Hong Kong Limited on 12 February 2018. The de-merger was effected 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. Following the capital reduction of $139,154,000, the share capital of the Company was reduced to $12,645,000.

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

	Group and Company			
	2019		2018	
	No. of shares '000	$'000	No. of shares '000	$'000
(b) **Treasury shares**				
At 1 January and 31 December	(1,110)	(957)	(1,110)	(957)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Other reserves

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Employee share option reserve	1,202	1,131	1,202	1,131
Gain on reissuance of treasury shares	251	251	251	251
Fair value reserve	(306)	–	(306)	–
Hedging reserve	(362)	423	(362)	423
Distribution in specie	37,154	37,154	37,154	37,154
	37,939	38,959	37,939	38,959

(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	
	2019	2018
	$'000	$'000
At 1 January	1,131	1,080
Share-based payment (share options)	71	51
At 31 December	1,202	1,131

(b) Gain on reissuance of treasury shares

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

	Group and Company	
	2019	2018
	$'000	$'000
At 31 December	251	251

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	
	2019	2018
	$'000	$'000
At 1 January	(1,586)	(697)
Net effect of exchange differences arising from translation of financial statements of foreign operations	343	(889)
At 31 December	(1,243)	(1,586)

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	
	2019	2018
	$'000	$'000
Capital commitments in respect of plant and machinery	147	134

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	
	2019	2018
	$'000	$'000
Transactions with associates		
Discharging fee income	–	2,131
Wharfage fee income	–	590
Warehousing service income	–	418
Management income	–	9
Miscellaneous income	–	21
Transactions with companies related to directors		
Rental income	66	63

Balances with related companies as at 31 December 2019 and 31 December 2018 are set out in Note 18 and Note 23.

(b) Compensation of key management personnel

	Group	
	2019	2018
	$'000	$'000
Short-term employee benefits	3,462	3,029
Central Provident Fund contributions	66	69
	3,528	3,098
Comprise amounts paid to:		
Directors of the Company	964	713
Other key management personnel	2,564	2,385
	3,528	3,098

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 $0.345 each and exercisable between 19 November 2020 and 18 November 2024 under Scheme 2002.

NOTES TO THE FINANCIAL STATEMENTS (continued)

33. Fair value of financial instruments

Fair value hierarchy

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
Level 2 – Inputs other than quoted prices included with 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 2019 and 31 December 2018.

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

The following table shows an analysis of financial instruments carried at fair value using significant other observable inputs (Level 2):

		Group and Company	
	Note	**2019 $'000**	2018 '000
Financial asset/(liability)			
Derivatives			
Forward currency contracts	27	**(362)**	423

Determination of fair value

Forward currency contracts (Note 27) are valued using a valuation technique with market observable inputs, which include foreign exchange spot and forward rates and forward rate curves.

The following table shows an analysis of financial instruments carried at fair value using significant unobservable inputs (Level 3):

		Group	
	Note	**2019 $'000**	2018 '000
Financial asset			
Held through FVOCI			
Unquoted equity instruments	16	**155**	407

		Company	
	Note	**2019 $'000**	2018 '000
Financial asset			
Held through FVOCI			
Unquoted equity instruments	16	**152**	404

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

Management has determined that the carrying amounts of cash and short-term deposits, trade and other receivables, payables and accruals (excluding sales tax payable), loans and borrowings (current portion) and lease liabilities (current portion) approximate to their fair value, either due to the short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the financial year.

34. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivative financial instruments, comprise loans and borrowings, cash and short-term deposits. 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	**Effect on profit before tax $'000**
Year ended 31 December 2019		
Singapore Dollar	+100	(710)
Vietnamese Dong	+100	(131)
Malaysia Ringgit	+100	(231)
Singapore Dollar	-100	710
Vietnamese Dong	-100	131
Malaysia Ringgit	-100	231
Year ended 31 December 2018		
Singapore Dollar	+100	(860)
Vietnamese Dong	+100	(149)
Malaysia Ringgit	+100	(260)
Singapore Dollar	-100	860
Vietnamese Dong	-100	149
Malaysia Ringgit	-100	260

(b) **Foreign currency risk**

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, USD, Malaysia Ringgit, Indonesian Rupiah and Vietnamese Dong.

The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, foreign currency balances denominated in USD amounted to $9,472,000 (2018: $16,574,000).

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	
		2019 $'000	2018 $'000
USD/SGD	– strengthened 3% (2018: 3%)	**284**	497
	– weakened 3% (2018: 3%)	**(284)**	(497)

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 short-term deposits and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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

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 amounts arising from expected credit losses for each class of financial assets.

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 on the respective balance sheets.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 18.

Credit risk concentration profile

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

	Group			
	2019		2018	
	$'000	**% of total**	$'000	% of total
By business segment				
Concrete and Cement	**155,896**	**100**	143,963	99
Trading and Shipping	**183**	**NM**	1,009	1
	156,079	**100**	144,972	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 2019 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 provision matrix, grouped by geographical region:

At 31 December 2019	**Current**	**1 to 30 days past due**	**31 to 60 days past due**	**61 to 90 days past due**	**91 to 120 days past due**	**More than 120 days past due**	**Total**
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)**
	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)**
	16,489	**5,176**	**3,246**	**2,225**	**1,401**	**4,961**	**33,498**

At 31 December 2018	**Current**	**1 to 30 days past due**	**31 to 60 days past due**	**61 to 90 days past due**	**91 to 120 days past due**	**More than 120 days past due**	**Total**
Singapore							
Gross carrying amount	40,742	36,575	23,522	3,296	630	4,713	109,478
Allowance for impairment	–	(13)	(17)	(119)	(132)	(3,692)	(3,973)
	40,742	36,562	23,505	3,177	498	1,021	105,505
Other geographical areas							
Gross carrying amount	24,513	5,003	3,203	2,134	1,933	3,841	40,627
Allowance for impairment	–	(9)	(94)	(20)	(59)	(978)	(1,160)
	24,513	4,994	3,109	2,114	1,874	2,863	39,467

Information regarding allowance for impairment movement of trade receivables are disclosed in Note 18.

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities to meet normal operating commitments and to close market positions at short notice. At the end of the financial year, 54% (2018: 49%) of the Group's loans and borrowings (Note 21) 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.

	Group			
31 December 2019	**1 year or less $'000**	**Between 1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial assets				
Trade and other receivables	**159,686**	**168**	**–**	**159,854**
Cash and short-term deposits	**49,646**	**–**	**–**	**49,646**
Total undiscounted financial assets	**209,332**	**168**	**–**	**209,500**
Financial liabilities				
Payables and accruals	**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)**
31 December 2018				
Financial assets				
Trade and other receivables	149,389	665	–	150,054
Cash and short-term deposits	47,894	–	–	47,894
Total undiscounted financial assets	197,283	665	–	197,948
Financial liabilities				
Payables and accruals and other liability	75,839	–	539	76,378
Loans and borrowings	64,642	69,044	–	133,686
Total undiscounted financial liabilities	140,481	69,044	539	210,064
Total net undiscounted financial assets/(liabilities)	56,802	(68,379)	(539)	(12,116)

	Company			
31 December 2019	**1 year or less $'000**	**Between 1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial assets				
Trade and other receivables	**28,466**	**–**	**–**	**28,466**
Cash and short-term deposits	**28,388**	**–**	**–**	**28,388**
Total undiscounted financial assets	**56,854**	**–**	**–**	**56,854**
Financial liabilities				
Payables and accruals	**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**
31 December 2018				
Financial assets				
Trade and other receivables	22,487	–	–	22,487
Cash and short-term deposits	27,681	–	–	27,681
Total undiscounted financial assets	50,168	–	–	50,168
Financial liabilities				
Payables and accruals	17,683	–	–	17,683
Loans and borrowings	563	20,971	–	21,534
Total undiscounted financial liabilities	18,246	20,971	–	39,217
Total net undiscounted financial assets/(liabilities)	31,922	(20,971)	–	10,951

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 2019 and 31 December 2018.

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

	Group	
	2019 $'000	2018 $'000
Net debt	**79,492**	78,572
Total equity	**210,577**	198,324
Net gearing ratio	**0.38**	0.40

The Group did not breach any gearing covenants during the financial years ended 31 December 2019 and 31 December 2018.

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, ready-mix concrete and refined petroleum products to the construction and marine industries of 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 (continuing operations)

	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 income 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
Consolidated balance sheet					
Investment in associate	–	–	3,388	–	3,388
Additions to non-current assets	7,249	–	944	–	8,193
Segment assets	392,948	6,411	42,744	–	442,103
Segment liabilities	203,461	3,949	24,116	–	231,526

	Concrete and Cement $'000	Trading and Shipping $'000	Others $'000	Eliminations $'000	Group $'000
31 December 2018					
Revenue					
External sales	545,710	317,820	–	–	863,530
Inter-segment sales	–	651	–	(651)	–
Total revenue	545,710	318,471	–	(651)	863,530
Results					
Segment results	30,260	3,952	(5,995)	–	28,217
Interest income	221	–	130	–	351
Depreciation expenses	(17,078)	–	(259)	–	(17,337)
Amortisation of intangible assets	(59)	–	(175)	–	(234)
Interest expense	(3,318)	–	(629)	–	(3,947)
Share of results of associate	–	–	1,893	–	1,893
Profit/(loss) before income tax	10,026	3,952	(5,035)	–	8,943
Income tax expense	(1,530)	(267)	(602)	–	(2,399)
Profit/(loss) for the year	8,496	3,685	(5,637)	–	6,544
Attributable to:					
Equity holders of the Company	8,525	3,184	(5,637)	–	6,072
Non-controlling interests	(29)	501	–	–	472
	8,496	3,685	(5,637)	–	6,544
Consolidated balance sheet					
Investment in associate	–	–	3,078	–	3,078
Additions to non-current assets	12,371	5	962	–	13,338
Segment assets	376,788	3,410	41,654	–	421,852
Segment liabilities	189,660	12,310	21,558	–	223,528

(b) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Singapore	794,447	668,226	122,833	109,465
China	141,094	297,090	–	–
Others	91,344	114,950	77,011	80,304
Eliminations	(258,627)	(216,736)	–	–
Total	768,258	863,530	199,844	189,769

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

37. Dividends

	Group and Company	
	2019 $'000	2018 $'000
Declared and paid during the year		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for year ended 2018: 0.80 cents (2017: 0.80 cents) per share	5,607	5,607
Interim exempt (one-tier) dividend for year ended 2019: 0.50 cents (2018: Nil) per share	3,505	–
	9,112	5,607
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 2019: 1.10 cents (2018: 0.80 cents) per share	7,715	5,607
Dividend per share (in cents)	1.60	0.80

38. Events after the reporting period

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. (collectively, Blue Marble) respectively. The principal activities of Blue Marble are marketing and provision of sustainable technology solutions.

On 14 January 2020, a total of 523,000 treasury shares were reissued pursuant to the Pan-United Share Option Scheme.

39. Authorisation of financial statements

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 24 March 2020.

STATISTICS OF SHAREHOLDINGS

As at 31 March 2020

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

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	10	0.09	222	-
100 - 1,000	3,059	28.69	2,971,155	0.42
1,001 - 10,000	5,648	52.97	24,521,088	3.50
10,001 - 1,000,000	1,919	18.00	86,508,120	12.33
1,000,001 and above	27	0.25	587,407,740	83.75
	10,663	100.00	701,408,325	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	59.98
2. Ng Bee Bee	-	-	408,375,002	58.22
3. Jane Kimberly Ng Bee Kiok	-	-	408,809,502	58.28

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 2020, approximately 25.80% 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.

Substantial shareholders	No. of shares	%**
1. Citibank Nominees Singapore Pte Ltd	213,260,275	30.41
2. Ng Han Whatt, Jane Kimberly Ng Bee Kiok and Ng Bee Bee	191,250,000	27.27
3. Phillip Securities Pte Ltd	51,629,111	7.36
4. Patrick Ng Bee Soon	34,962,037	4.98
5. DBS Nominees (Private) Limited	30,335,438	4.33
6. Raffles Nominees (Pte.) Limited	7,855,075	1.12
7. HSBC (Singapore) Nominees Pte Ltd	7,669,800	1.09
8. Ng Han Whatt	6,750,000	0.96
9. McGregor Annabel Margaret	5,900,000	0.84
10. CGS-CIMB Securities (Singapore) Pte. Ltd.	4,645,039	0.66
11. United Overseas Bank Nominees (Private) Limited	3,732,460	0.53
12. BPSS Nominees Singapore (Pte.) Ltd.	3,213,925	0.46
13. Lee Cheong Seng	2,500,000	0.36
14. OCBC Nominees Singapore Private Limited	2,349,855	0.34
15. Kor Tor Khoon	2,333,800	0.33
16. UOB Kay Hian Private Limited	2,318,550	0.33
17. OCBC Securities Private Limited	2,111,125	0.30
18. Ch'ng Jit Koon	1,960,000	0.28
19. Lee Boon Wah	1,850,000	0.26
20. Phua Bah Lee	1,831,250	0.26
	578,457,740	82.47

* Ordinary shares purchased and held as treasury shares by the Company will have no voting rights. As at 31 March 2020, the Company has 587,500 shares held as treasury shares and this represents approximately 0.08% 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 2020, excluding 587,500 shares held as treasury shares as at that date.