

Company Registration No. 196700080N

Pacific International Lines (Private) Limited
and its subsidiaries

Annual Financial Statements
31 December 2018



Pacific International Lines (Private) Limited and its subsidiaries

General Information

Directors

Teo Woon Tiong a.k.a. Chang Yun Chung	(Retired on 1 April 2018 and conferred the title of Chairman Emeritus)
Teo Siong Seng	(Executive Chairman and Managing Director)
Teo Chew Seng @ Peter Chang	(Deputy Chairman)
Tan Chor Kee	(Deputy Managing Director)
Teo Cho Keng	(Resigned on 30 April 2018)
Teo Tiou Seng	
Teo Teng Seng	
Kuan Kim Kin	
Tay Kian Phuan William	
Teo Choo Wee	
Lim Jock Fong	
Teo Lay Seng	

Company Secretary

Lin Xin Yue Eunice

Registered Office

140 Cecil Street
#03-00 PIL Building
Singapore 069540

Auditor

Ernst & Young LLP

Bankers

For Pacific International Lines (Private) Limited

Australia and New Zealand Banking Group Limited
Bangkok Bank Public Company Limited
Bank of China
CTBC Bank Co., Ltd
DBS Bank Ltd.
DNB Bank ASA
E.Sun Commercial Bank Limited
Guaranty Trust Bank (Ghana) Limited
Hatton National Bank PLC
Industrial and Commercial Bank of China Limited, Singapore Branch/Shanghai Branch
ING Bank N.V.
KBC Bank N.V.
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
Qatar National Bank SAQ
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
MUFG Bank Ltd, Singapore Branch
United Overseas Bank Limited
Bank of Hangzhou
ABN Amro, Singapore Branch
DVB Bank

Pacific International Lines (Private) Limited and its subsidiaries

General Information

Bankers

For Subsidiaries

Agricultural Bank of China
Australia and New Zealand Banking Group Limited
AXIS Bank
Bangkok Bank Public Company Limited
Bank of China
Bank of Communications Co. Ltd.
Bank of Hangzhou Co.
Bank of New Zealand
China Construction Bank
China Merchants Bank
Chiyu Banking Corporation Limited
Credit Suisse AG
DBS Bank Ltd.
Guaranty Trust Bank PLC
HDFC Bank
HSH Nordbank AG
IDBI Bank
Indian Bank
Indian Overseas Bank
Industrial Bank Co., Ltd
Industrial and Commercial Bank of China Limited
ING Bank N.V.
Malayan Banking Berhad
Overseas-Chinese Banking Corporation Limited
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited
Zenith Bank PLC

Index

	Page
Directors' Statement	1
Independent Auditor's Report	8
Income Statements	12
Statements of Comprehensive Income	13
Balance Sheets	14
Statements of Changes in Equity	16
Statement of Consolidated Cash Flow	19
Notes to the Financial Statements	21

Pacific International Lines (Private) Limited and its subsidiaries

Directors' Statement

The Directors present their statement to the members together with the audited consolidated financial statements of Pacific International Lines (Private) Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2018.

Opinion of the Directors

In the opinion of the Directors,

- (i) the consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income 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 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors of the Company

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

Teo Siong Seng	(Executive Chairman and Managing Director)
Teo Chew Seng @ Peter Chang	(Deputy Chairman)
Tan Chor Kee	(Deputy Managing Director)
Teo Tiou Seng	
Teo Teng Seng	
Kuan Kim Kin	
Tay Kian Phuan William	
Teo Choo Wee	
Lim Jock Fong	
Teo Lay Seng	

In accordance with the Company's Constitution (Article 95 of the Articles of Association), all the Directors, with the exception of Mr. Teo Siong Seng, are subject to retirement and shall be eligible for re-election. All retiring Directors have offered themselves for re-election.

Arrangements to enable Directors to acquire shares and debentures

Except as disclosed herein, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object 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.

Pacific International Lines (Private) Limited and its subsidiaries

Directors' Statement

Directors' Interests in Shares and Debentures

- (a) 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, interests in shares and debentures of the holding company and its subsidiaries as stated below:

Name of Director	Direct interest	
	At the beginning of financial year	At the end of financial year
Holding company		
PIL Holdings Pte Ltd		
Ordinary shares		
Teo Siong Seng	3,600,000	3,600,000
Teo Chew Seng @ Peter Chang	3,600,000	3,600,000
Teo Tiou Seng	2,400,000	2,400,000
Teo Teng Seng	2,250,000	2,250,000
Teo Choo Wee	1,650,000	1,650,000
Teo Lay Seng	1,275,000	1,275,000
The Company		
S\$60,000,000 8.5% Notes due on 16 November 2020		
Teo Siong Seng	S\$1,500,000	S\$1,500,000

Pacific International Lines (Private) Limited and its subsidiaries

Directors' Statement

Directors' Interests in Shares and Debentures (cont'd)

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Subsidiaries				
Singamas Container Holdings Limited ("Singamas")				
	<i>Ordinary shares of HK\$0.10 each fully paid</i>			
Teo Siong Seng	42,377,250	42,377,250	—	—
Teo Tiou Seng	196,780	196,780	—	—
Teo Teng Seng	490,000	490,000	—	—
Tan Chor Kee	—	—	6,000	6,000
Lim Jock Fong	—	—	70,000	70,000
Teo Lay Seng	900,000	—	—	—

- (b) Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

Share options

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Share options of the Company's subsidiary, Singamas

- (a) On 1 June 2007, the shareholders' of the Company's subsidiary, Singamas passed an ordinary resolution to approve the adoption of a share option scheme (the "Scheme"). The board of directors of Singamas was authorised to grant options to selected grantees of the Singamas group, to subscribe for shares in Singamas ("Shares").
- (b) At 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 2,849,334 (2017: 3,790,149), representing approximately 0.12% (2017: 0.16%) of the shares of Singamas in issue on that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of Singamas in issue at offer date, without prior approval from the Singamas' shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of Singamas in issue on the offer date without prior approval from the Singamas' shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Singamas' share capital or with a value in excess of HK\$5 million must be approved in advance by the Singamas' shareholders.

Options granted must be taken up within 28 days from the date of offer. An aggregate of HK\$1 is payable by each qualifying grantee on acceptance of the offer. Options may be exercised within the options period (must not exceed 10 years from the date of grant of the relevant option) which shall be determined by the board of directors of Singamas in its absolute discretion at the time of grant. The exercise price is determined by the Singamas' directors, and will not be less than the higher of (i) the closing price of the Singamas' shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Singamas' share.

Pacific International Lines (Private) Limited and its subsidiaries

Directors' Statement

Share options (cont'd)

Share options of the Company's subsidiary, Singamas (cont'd)

- (c) Particulars of unissued shares under options granted pursuant to the Scheme, options exercised and lapsed during the financial year, and options outstanding as at 31 December 2018 were as follows:

Date of grant	Number of options to subscribe for ordinary shares						End of vesting period	Expiry date
	Outstanding at 1 January 2018	Granted/ (Exercised) during the year	Lapsed during the year	Lapsed during the year after adjustment	Outstanding at 31 December 2018	Before adjustment subscription price per share HK\$	After adjustment subscription price per share HK\$	
6 August 2008	119,964	—	(680)	(119,284)	—	1.93	1.48	5 August 2009
6 August 2008	119,963	—	(680)	(119,283)	—	1.93	1.48	5 August 2010
6 August 2008	620,888	—	(17,680)	(603,208)	—	1.93	1.48	5 August 2011
1 July 2010	332,667	—	—	—	332,667	1.83	1.38	30 June 2011
1 July 2010	1,256,668	—	(40,000)	—	1,216,668	1.83	1.38	30 June 2012
1 July 2010	1,339,999	—	(40,000)	—	1,299,999	1.83	1.38	30 June 2013
	3,790,149	—	(99,040)	(841,775)	2,849,334			

Note 1 The forfeiture represented the share options granted to the eligible directors of Singamas and employees of the Singamas Group, which were forfeited upon their resignations.

Pacific International Lines (Private) Limited and its subsidiaries

Directors' Statement

Share options (cont'd)

Share options of the Company's subsidiary, Singamas (cont'd)

(d) Details of the options to subscribe for ordinary shares of Singamas granted to Directors of the Company pursuant to the Scheme are as follows:

Name of Director	Aggregate options granted since commencement of Scheme to the end of financial year 2018	Aggregate options lapsed since commencement of Scheme to end of financial year 2018	Aggregate options exercised since commencement of Scheme to end of financial year 2018	Aggregate options outstanding as at end of financial year 2018
Teo Siong Seng	13,605,250	(7,839,000)	(4,098,250)	1,668,000
Teo Tiou Seng	668,730	(391,950)	(196,780)	80,000
Kuan Kim Kin	668,730	(444,730)	(104,000)	120,000
	14,942,710	(8,675,680)	(4,399,030)	1,868,000

Pacific International Lines (Private) Limited and its subsidiaries

Directors' Statement

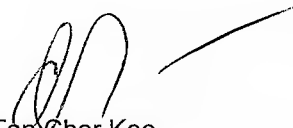
Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors:



Teo Siong Seng
Executive Chairman & Managing Director



Tan Chor Kee
Deputy Managing Director

Singapore
2 May 2019

Pacific International Lines (Private) Limited and its subsidiaries

Independent Auditor's Report

For the financial year ended 31 December 2018

Independent Auditor's Report to the Members of Pacific International Lines (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pacific International Lines (Private) Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity, the income statements, statements of comprehensive income of the Group and the Company and statement of consolidated cash flow 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 2018 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 judgment, 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.

Pacific International Lines (Private) Limited and its subsidiaries

Independent Auditor's Report

For the financial year ended 31 December 2018

Independent Auditor's Report to the Members of Pacific International Lines (Private) Limited

Key Audit Matters (cont'd)

Impairment assessment of motor vessels

As at 31 December 2018, the carrying amounts of the Group's and the Company's motor vessels were US\$3,836,369,000 and US\$2,717,813,000 respectively, representing 60% of the Group's total assets and 61% of the Company's total assets respectively. Given the loss-making position of the shipping segment and the uncertain economic outlook, management performed an impairment review on motor vessels as at 31 December 2018. We consider the audit of management's impairment assessment on motor vessels to be a key audit matter due to the materiality of the carrying values of motor vessels recognised in the financial statements. In addition, the assessment process involves significant management judgment and is based on assumptions that subject to future market and economic conditions.

As disclosed in Note 2.30 to the financial statements, management determined the recoverable amounts of motor vessels based on value-in-use calculations. We assessed the valuation method used by management and evaluated the key assumptions used, in particular the discount rates, forecasted freight rates and vessel utilisation rates.

We involved our internal valuation specialists to assist us in assessing management's valuation method and the reasonableness of the discount rates used. We evaluated the forecasted freight rates and vessel utilisation rates by comparing them against the industry rates. We also reviewed the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results. Finally, we reviewed the adequacy of the disclosures made on the impairment assessment of motor vessels in Note 2.30 to the financial statements.

Going concern assumption

As disclosed in Note 2.1 to the financial statements, the Group incurred a net loss of US\$208,323,000 during the financial year ended 31 December 2018 and as at that date, the Group's current liabilities exceeded its current assets by US\$872,281,000. Notwithstanding the above, the directors have prepared the consolidated financial statements on a going concern basis. Management's assessment on whether the Group will be able to generate sufficient cash flows from operations and coupled with continued support and funding from lenders are important considerations for the going concern assumption. As such, we determined this to be a significant aspect of our audit.

As part of our audit procedures, we discussed with management to obtain an understanding on the business plan and financing requirements. We reviewed the cash flow forecasts prepared by management for the purpose of the going concern assessment for the period of 12 months from the end of the reporting period. We assessed the reasonableness of the key assumptions used in the cash flow forecast, such as the forecasted freight rates, operation costs and vessel utilisation rates by comparing them to industry rates. We reviewed the Group's committed debt facilities, including financial covenant terms and timing of repayment to supporting documentation. We evaluated the Group's ability to meet its current liabilities, which are due within one year from 31 December 2018, through analysis of existing available funding and unused credit facilities. We also assessed the adequacy of the disclosures on the going concern assumption in Note 2.1 to the financial statements.

Pacific International Lines (Private) Limited and its subsidiaries

**Independent Auditor's Report
For the financial year ended 31 December 2018**

Independent Auditor's Report to the Members of Pacific International Lines (Private) Limited

Other Information

Management is responsible for other information. The other information comprises the General Information and Directors' statement, 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 judgment 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.

Pacific International Lines (Private) Limited and its subsidiaries

Independent Auditor's Report

For the financial year ended 31 December 2018

Independent Auditor's Report to the Members of Pacific International Lines (Private) Limited

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 Mr. Lim Tze Yuen.



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

2 May 2019

Pacific International Lines (Private) Limited and its subsidiaries

Income Statements

For the financial year ended 31 December 2018

	Note	Group		Company	
		2018	2017	2018	2017
		US\$'000	US\$'000	US\$'000	US\$'000
Turnover	3	4,490,573	4,037,369	2,329,381	2,207,815
Other operating income	4	18,409	21,727	5,219	3,913
Changes in inventories of finished goods and work in progress		76,607	119,551	—	—
Raw material and consumables used		(1,377,444)	(1,141,145)	—	—
Investment and interest income	5	7,145	4,195	60,521	88,475
Staff costs	6	(311,881)	(269,964)	(40,365)	(40,123)
Depreciation	12	(233,073)	(239,549)	(134,479)	(105,196)
Amortisation of intangible assets	14	(2,372)	(1,588)	(2,366)	(1,311)
(Allowance)/write-back of impairment losses, net	7	(818)	305	6,295	(5,493)
Gain/(loss) on disposal of shares in subsidiaries		58,277	495	(24)	—
Loss on disposal of shares in associates and joint ventures		(2,325)	—	(240)	—
Gain on disposal of shares in investments		—	69	—	69
Fair value changes in:					
- investments, at fair value through profit or loss, net	8	(16,716)	141	(16,877)	—
- derivative financial instruments, net	8	(777)	4,732	(824)	3,843
Foreign exchange differences		12,295	(19,956)	1,959	(7,973)
Shipping expenses		(2,413,832)	(2,014,166)	(2,288,662)	(1,982,296)
Administration and non-shipping expenses	9	(282,145)	(240,846)	(20,252)	(33,567)
Finance costs	10	(207,609)	(123,833)	(154,879)	(76,281)
Share of results of associates and joint ventures		11,945	10,651	—	—
(Loss)/profit before taxation		(173,741)	148,188	(255,593)	51,875
Taxation	11	(34,582)	(28,687)	(11,817)	(5,028)
(Loss)/profit for the year		(208,323)	119,501	(267,410)	46,847
Attributable to:					
Equity holders of the Company		(254,336)	85,368	(267,410)	46,847
Non-controlling interests		46,013	34,133	—	—
(Loss)/profit for the year		(208,323)	119,501	(267,410)	46,847

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

Pacific International Lines (Private) Limited and its subsidiaries

Statements of Comprehensive Income
For financial year ended 31 December 2018

	Note	Group		Company	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
(Loss)/profit for the year		(208,323)	119,501	(267,410)	46,847
Other comprehensive income for the year:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translating the financial statements of foreign operations		(14,014)	17,038	—	—
Adjustment upon transfer of previously self-occupied property to investment property, net of tax effect	13	11,514	—	—	—
Fair value gain/(loss) on available-for-sale financial assets		—	2,772	85	(32)
Fair value loss on equity instrument at fair value through other comprehensive income		(3,988)	—	—	—
Fair value gain on cash flow hedges		—	1,029	—	1,029
Share of other comprehensive income of associates and joint ventures		719	203	—	—
		(5,769)	21,042	85	997
Total comprehensive income for the year		(214,092)	140,543	(267,325)	47,844
Total comprehensive income attributed to:					
Equity holders of the Company		(257,691)	103,076	(267,325)	47,844
Non-controlling interests		43,599	37,467	—	—
		(214,092)	140,543	(267,325)	47,844

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

Pacific International Lines (Private) Limited and its subsidiaries

Balance Sheets

As at 31 December 2018

		Group			Company		
	Note	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000
Non-current assets							
Fixed assets	12	4,656,702	4,325,335	4,265,371	2,887,774	2,184,444	2,018,675
Investment property	13	18,068	—	—	—	—	—
Intangible assets	14	33,316	35,576	13,247	19,986	22,352	—
Subsidiaries	15	—	—	—	448,766	949,965	967,514
Associates and joint ventures	16	143,641	133,307	117,895	44,352	45,547	39,741
Investments	17	79,691	76,475	71,317	52,983	60,761	60,787
Deferred tax assets	11	611	830	356	—	—	—
Deferred transaction costs	18	50,406	55,240	39,447	49,806	54,440	39,440
Prepayments	19	4,460	7,323	10,394	2,308	3,227	4,498
Other debtors	22	—	—	4,736	—	—	—
Amounts due from related companies	24	—	729	582	—	729	582
Derivative financial instruments	48 (c)	1,061	1,014	350	—	—	—
		4,987,956	4,635,829	4,523,695	3,505,975	3,321,465	3,131,237
Current assets							
Investments	17	693	511	369	—	—	—
Stocks	20	295,687	317,885	199,454	64,999	51,049	39,293
Trade debtors	21	450,731	517,473	368,877	116,713	89,086	39,850
Other debtors	22	155,209	165,004	115,939	5,331	6,422	10,388
Contract assets	3	11,927	10,455	6,091	—	—	—
Deferred transaction costs	18	6,366	4,491	384	6,137	4,291	191
Prepayments	19	14,577	11,381	13,053	6,903	4,343	5,771
Derivative financial instruments	48 (c)	42	2,844	5,948	42	2,844	5,941
Assets held for sale	23	—	3,405	—	—	—	5,000
Amounts due from holding company	24	147,294	147,294	147,294	147,294	147,294	147,294
Amounts due from related companies	24	34,190	30,459	22,030	534,794	161,000	148,224
Short-term fixed deposits, secured	25	51,925	1,151	1,085	50,817	—	—
Cash and short-term deposits	26	227,200	304,215	331,892	11,528	9,683	18,586
		1,395,841	1,516,568	1,212,416	944,558	476,012	420,538
Current liabilities							
Derivative financial instruments	48 (c)	1,354	—	38,124	1,354	—	38,124
Trade creditors	27	522,606	594,527	544,114	295,419	217,494	281,650
Loans	28	882,190	833,658	1,067,844	484,554	519,393	437,402
Lease creditors	32	102,898	58,308	43,825	93,029	44,422	16,274
Bills payable	33	80,236	211,833	80,700	—	—	—
Other creditors and accruals	29	214,811	188,114	121,835	79,907	54,082	30,471
Contract liabilities	3	118,603	81,030	61,328	64,979	45,323	40,153
Amounts due to related companies	30	261,053	67,371	34,354	740,062	522,165	422,340
Notes	31	79,567	71,765	206,603	79,567	71,765	206,603
Provision for taxation		4,804	6,915	6,408	222	219	360
		2,268,122	2,113,521	2,205,135	1,839,093	1,474,863	1,473,377

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

Pacific International Lines (Private) Limited and its subsidiaries

**Balance Sheets
As at 31 December 2018**

		Group			Company		
	Note	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000
Non-current liabilities							
Derivative financial instruments	48 (c)	—	—	1,822	—	—	1,822
Loans	28	1,073,657	1,211,755	1,226,747	591,014	487,611	671,961
Amounts due to related companies	30	20,448	182,665	151,727	20,448	182,665	151,727
Notes	31	43,630	44,409	89,671	43,630	44,409	89,671
Lease creditors	32	1,258,360	680,104	286,731	1,249,287	666,885	270,017
Other creditors		17,437	4,433	937	13,129	—	—
Deferred tax liabilities	11	13,554	9,569	8,086	—	—	—
		2,427,086	2,132,935	1,765,721	1,917,508	1,381,570	1,185,198
Net assets		1,688,589	1,905,941	1,765,255	693,932	941,044	893,200
Equity attributable to equity holders of the Company							
Share capital	34	376,127	376,127	376,127	376,127	376,127	376,127
Capital reserve	36	38,798	40,017	39,396	—	—	—
Revaluation reserve	37	4,735	—	—	—	—	—
Fair value reserve	38	6,590	3,063	293	268	183	215
Hedging reserve	39	16	16	(1,013)	—	—	(1,029)
Foreign currency translation reserve	40	(14,136)	(7,585)	(21,506)	—	—	—
Share options reserve	41	631	657	1,899	—	—	—
Other reserve	42	8,961	9,277	9,276	20,213	—	—
Revenue reserve		817,291	1,068,482	982,409	297,324	564,734	517,887
		1,239,013	1,490,054	1,386,881	693,932	941,044	893,200
Non-controlling interests		449,576	415,887	378,374	—	—	—
Total equity		1,688,589	1,905,941	1,765,255	693,932	941,044	893,200

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

Pacific International Lines (Private) Limited and its subsidiaries

**Statements of Changes in Equity
For the year ended 31 December 2018**

2018 Group	Share capital US\$'000	Capital reserve US\$'000	Revaluation reserve US\$'000	Fair value US\$'000	Hedging reserve US\$'000	Foreign currency translation reserve US\$'000	Share options reserve US\$'000	Other reserve US\$'000	Revenue reserve US\$'000	Total reserves US\$'000	Attributable to equity holders of the Company US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
Opening balance at 1 January 2018 (FRS framework)	376,127	40,017	-	3,063	16	(7,585)	657	9,277	1,068,482	1,113,927	1,490,054	415,887	1,905,941
Cumulative effects of adopting SFRS(I)	-	-	-	5,701	-	-	-	-	(964)	4,737	4,737	8,167	12,904
Opening balance at 1 January 2018 (SFRS(I) framework)	376,127	40,017	-	8,764	16	(7,585)	657	9,277	1,067,518	1,118,664	1,494,791	424,054	1,918,845
Profit for the year	-	-	-	-	-	-	-	-	(254,336)	(254,336)	(254,336)	46,013	(208,323)
Other comprehensive income													
Exchange differences arising from translating the financial statements of foreign operations	-	-	-	-	-	(6,212)	-	-	-	(6,212)	(6,212)	(7,802)	(14,014)
Adjustment upon transfer of previously self-occupied property to investment property, net of tax effect	-	-	4,735	-	-	-	-	-	-	4,735	4,735	6,779	11,514
Fair value loss on equity instrument at FVOCI	-	-	-	(2,174)	-	-	-	-	-	(2,174)	(2,174)	(1,814)	(3,988)
Share of other comprehensive income of associates and joint ventures	-	296	-	-	-	-	-	-	-	296	296	423	719
Other comprehensive income for the year, after tax	-	296	4,735	(2,174)	-	(6,212)	-	-	-	(3,355)	(3,355)	(2,414)	(5,769)
Total comprehensive income for the year	-	296	4,735	(2,174)	-	(6,212)	-	-	(254,336)	(257,691)	(257,691)	43,599	(214,092)
Changes in ownership interest in subsidiaries													
Acquisition/disposal of subsidiaries	-	(1,274)	-	-	-	(339)	-	342	4,356	3,085	3,085	613	3,698
Acquisition of non-controlling interests without a change in control	-	(1,614)	-	-	-	-	-	(658)	1,167	(1,105)	(1,105)	(8,756)	(9,861)
Total transactions with owners in their capacity as owners	-	(2,888)	-	-	-	(339)	-	(316)	5,523	1,980	1,980	(8,143)	(6,163)
Others													
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(9,934)	(9,934)
Dividend paid to preference shareholders	-	-	-	-	-	-	-	-	(67)	(67)	(67)	-	(67)
Transfer from revenue reserve to capital reserve	-	1,373	-	-	-	-	-	-	(1,373)	-	-	-	-
Expiry of employee share options	-	-	-	-	-	-	(26)	-	26	-	-	-	-
Total others	-	1,373	-	-	-	-	(26)	-	(1,414)	(67)	(67)	(9,934)	(10,001)
Closing balance at 31 December 2018	376,127	38,798	4,735	6,590	16	(14,136)	631	8,961	817,291	862,886	1,239,013	449,576	1,688,589

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

Pacific International Lines (Private) Limited and its subsidiaries

Statements of Changes in Equity
For the year ended 31 December 2018

	Share capital US\$'000	Capital reserve US\$'000	Fair value reserve US\$'000	Hedging reserve US\$'000	Foreign currency translation reserve US\$'000	Share options reserve US\$'000	Other reserve US\$'000	Revenue reserve US\$'000	Total reserves US\$'000	Attributable to equity holders of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
2017 Group												
Opening balance at 1 January 2017	376,127	39,396	293	(1,013)	(21,506)	1,899	9,276	982,409	1,010,754	1,386,881	378,374	1,765,255
Profit for the year	–	–	–	–	–	–	–	85,368	85,368	85,368	34,133	119,501
Other comprehensive income												
Exchange differences arising from translating the financial statements of foreign operations	–	–	–	–	13,824	–	1	–	13,825	13,825	3,213	17,038
Fair value gain on available-for-sale financial assets	–	–	2,770	–	–	–	–	–	2,770	2,770	2	2,772
Fair value gain on cash flow hedges	–	–	–	1,029	–	–	–	–	1,029	1,029	–	1,029
Share of other comprehensive income of associates and joint ventures	–	84	–	–	–	–	–	–	84	84	119	203
Other comprehensive income for the year, after tax	–	84	2,770	1,029	13,824	–	1	–	17,708	17,708	3,334	21,042
Total comprehensive income for the year	–	84	2,770	1,029	13,824	–	1	85,368	103,076	103,076	37,467	140,543
Changes in ownership interest in subsidiaries												
Acquisition/disposal of subsidiaries	–	–	–	–	97	–	–	–	97	97	7,027	7,124
Total transactions with owners in their capacity as owners	–	–	–	–	97	–	–	–	97	97	7,027	7,124
Others												
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(6,981)	(6,981)
Transfer from revenue reserve to capital reserve	–	537	–	–	–	–	–	(537)	–	–	–	–
Expiry of employee share options	–	–	–	–	–	(1,242)	–	1,242	–	–	–	–
Total others	–	537	–	–	–	(1,242)	–	705	–	–	(6,981)	(6,981)
Closing balance at 31 December 2017	376,127	40,017	3,063	16	(7,585)	657	9,277	1,068,482	1,113,927	1,490,054	415,887	1,905,941

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

Pacific International Lines (Private) Limited and its subsidiaries

**Statements of Changes in Equity
For the year ended 31 December 2018**

Company	Share capital US\$'000	Fair value reserve US\$'000	Hedging reserve US\$'000	Revenue reserve US\$'000	Other reserve US\$'000	Total reserves US\$'000	Total equity US\$'000
2018							
Opening balance at 1 January 2018	376,127	183	—	564,734	—	564,917	941,044
Total comprehensive income for the year	—	85	—	(267,410)	—	(267,325)	(267,325)
Capital reduction from equity investment	—	—	—	—	20,213	20,213	20,213
Closing balance at 31 December 2018	376,127	268	—	297,324	20,213	317,805	693,932
2017							
Opening balance at 1 January 2017	376,127	215	(1,029)	517,887	—	517,073	893,200
Total comprehensive income for the year	—	(32)	1,029	46,847	—	47,844	47,844
Closing balance at 31 December 2017	376,127	183	—	564,734	—	564,917	941,044

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

Pacific International Lines (Private) Limited and its subsidiaries

**Statement of Consolidated Cash Flow
For the year ended 31 December 2018**

	Group	
	2018	2017
	US\$'000	US\$'000
Cash flows from operating activities		
(Loss)/profit before taxation	(173,741)	148,188
Adjustments for:		
Amortisation of intangible assets	2,372	1,588
Depreciation	233,073	239,549
Dividend income from investments	(1,401)	(1,241)
Fair value changes in investments	16,716	(141)
Net fair value changes in derivative financial instruments	777	(4,732)
Fixed assets written off, net of amount recovered	1,652	1,215
Loss/(gain) on disposal of fixed assets, net	32,375	(2,012)
Gain on disposal of shares in subsidiaries	(58,277)	(495)
Loss on disposal of shares in associates and joint ventures	2,325	—
Gain on disposal of shares in investments	—	(69)
Interest income	(5,744)	(2,954)
Interest expense	193,176	114,609
Amortisation of deferred transaction costs	10,240	5,693
Amortisation of Notes issuance costs	1,402	1,287
Write-back of impairment loss on associates and joint ventures	(113)	(876)
(Write-back)/allowance of impairment loss on long-term loans to associates of a subsidiary	(45)	35
Allowance of impairment loss on trade debtors and other debtors	880	536
Allowance of impairment loss on amount due from associates and joint ventures	96	—
Share of results of associates and joint ventures	(11,945)	(10,651)
Gain on bargain purchase	(1,565)	—
Currency realignment	14,589	5,783
Operating income before working capital changes	256,842	495,312
Decrease/(increase) in prepayments, trade and other debtors	130,828	(145,277)
Decrease/(increase) in stocks	17,421	(118,001)
(Decrease)/increase in trade and other creditors and accruals	(34,552)	106,886
(Decrease)/increase in bills payable	(131,597)	131,133
Cash flows generated from operations	238,942	470,053
Interest income received	5,661	2,929
Interest paid	(173,944)	(119,921)
Income taxes paid	(27,928)	(27,209)
Net cash flows generated from operating activities	42,731	325,852

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

Pacific International Lines (Private) Limited and its subsidiaries

**Statement of Consolidated Cash Flow
For the year ended 31 December 2018**

	Group	
	2018	2017
	US\$'000	US\$'000
Cash flows from investing activities		
Repayment of loan by a subsidiary's associates and joint ventures	9,159	13
Addition of loan by an associates and joint ventures	(2,317)	(4,993)
Additional investment in associates and joint ventures, net	(12,485)	(2,448)
Purchase of investments	(10,342)	(2,347)
Proceeds from sales of investments	—	129
Cash inflow/(outflow) arising from disposal of subsidiaries	31,684	(500)
Cash inflow arising from disposal of associates and joint ventures	203	546
Cash inflow/(outflow) arising from acquisition of subsidiaries	2,288	(8,779)
Dividends from associates and joint ventures	10,315	9,316
Dividends from investments	1,401	1,241
Addition of other intangible assets	(575)	(6,319)
Proceeds from assets held for sale	13	—
Proceeds from sales of fixed assets	108,444	146,393
Proceeds from sales of fixed assets written off	466	36
Purchase of fixed assets	(203,376)	(170,532)
Net cash flows used in investing activities	(65,122)	(38,244)
Cash flows from financing activities		
Acquisition of non-controlling interests without a change in control	(8,756)	—
Dividends paid by subsidiaries to non-controlling interests	(9,934)	(6,981)
Placement of short-term fixed deposits, secured	(50,774)	(66)
Proceeds from loans	775,011	888,457
Repayment of loans	(868,856)	(1,141,541)
Proceeds from issuance of Notes	80,000	19,845
Repayment of Notes	(70,391)	(247,765)
Payment of transaction costs related to issuance of Notes	(1,043)	(556)
Payment of transaction costs related to loans	(2,836)	(28,545)
Increase in net amounts due to associates and joint ventures	38,714	23,003
(Decrease)/increase in net amounts due to related companies	(10,616)	32,167
Increase in net amounts due to directors	168	1,805
Increase in amount due to lease creditors, net	79,901	141,427
Net cash flows used in financing activities	(49,412)	(318,750)
Net decrease in cash and cash equivalents	(71,803)	(31,142)
Effect of exchange rate changes on cash and cash equivalents	(5,212)	3,465
Cash and cash equivalents at beginning of year	304,215	331,892
Cash and cash equivalents at end of year (Note 26)	227,200	304,215

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

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2018

1. Corporate information

Pacific International Lines (Private) Limited (the "Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore. The registered office and principal place of business of the Company is located at 140 Cecil Street, #03-00 PIL Building, Singapore 069540. The immediate and ultimate holding company is PIL Holdings Pte. Ltd., a company incorporated in the Republic of Singapore.

The principal activities of the Company are those of ship owner and ship operator. The subsidiaries are engaged in activities of investment holding, manufacturing of containers, container depot operations, shipping agents, owners of landed properties, freight forwarders and ship owners. There have been no significant changes in the nature of these activities during the financial year.

Details of significant subsidiaries and associates held by the Company are as follows:

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest		
			2018 %	2017 %	1.1.2017 %
Subsidiaries held by the Company					
Advance Container Lines (Pte) Ltd	Ship operator	Singapore	100.00	100.00	100.00
* Berkat Shipping (Pte) Ltd	Dormant	Singapore	—	— 00	75.00
* Eastern Maritime (Cambodia) Limited	Shipping agency	Cambodia	70.00	70.00	70.00
* Mariana Express Lines Pte. Ltd.	Provision of containerised shipping services and freight forwarding services	Singapore	65.00	65.00	65.00
* McKay Shipping Limited	Shipping agency	New Zealand	70.00 xx	55.00	55.00
* Odette Enterprises Limited	Investment holding	British Virgin Islands	—000	100.00	100.00
* Pacific Asia Express Pty Ltd	Shipping agency	Australia	65.00	65.00	65.00
* Pacific Delta Shipping (Private) Limited	Shipping agency	Pakistan	51.00	51.00	51.00
* Pacific International Lines (China) Ltd	Shipping agency	People's Republic of China	100.00	100.00	100.00
Pacific Bunkering Services Pte. Ltd.	Bunker trading	Singapore	100.00	100.00	100.00
* PIL Logistics Pte. Ltd.	Provision of supply chain management services, warehousing and logistics	Singapore	100.00	100.00	100.00

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

1. Corporate information (cont'd)

	Name of company	Principal activities	Country of incorporation	Proportion of ownership interest		
				2018 %	2017 %	1.1.2017 %
Subsidiaries held by the Company (cont'd)						
*	Pacific International Lines (HK) Limited	Shipping agency	Hong Kong	94.74	94.74	94.74
	Pacific Ship Investment (Pte.) Ltd.	Ship owning and ship chartering	Singapore	100.00	100.00	100.00
*	Pacific International Line South Africa (Proprietary) Limited	Shipping agency	South Africa	84.00	84.00	84.00
*	Pacific Manning Agency Colombo (Private) Limited	Recruitment and training of shipping crews	Sri Lanka	100.00	100.00	100.00
*	Pacific Marine Logistics India Private Limited	Marketing of containers, logistics and warehousing services	India	100.00	100.00	100.00
*	Pacific Properties Company (W.L.L)	Investment holding	Egypt	79.00	79.00	79.00
	PDL International Pte. Ltd.	Ship operator and agency	Singapore	53.00	53.00	53.00
*	PIL (Bangladesh) Ltd.	Shipping agency	Bangladesh	65.00	65.00	65.00
*	PIL Djibouti Ltd	Shipping agency	Djibouti	50.83	50.83	50.83
*	PIL Egypt (S.A.E)	Shipping agency	Egypt	51.00	51.00	51.00
*	PIL (Ghana) Limited	Shipping agency	Ghana	65.00	65.00	65.00
*	PIL (India) Private Limited	Investment holding	India	100.00	100.00	100.00
*	PIL Korea Ltd.	Shipping agency	Korea	100.00	100.00	100.00
*	PIL Mumbai Private Limited	Shipping agency	India	70.00	70.00	70.00
*	PIL Nigeria Limited	Shipping agency	Nigeria	65.00	65.00	65.00
*	PIL (Uganda) Limited	Shipping agency	Uganda	100.00	100.00	100.00
⌘	PIL (UK) Limited	Ship operator & ship agency	United Kingdom	100.00	100.00	100.00

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest			
			2018 %	2017 %	1.1.2017 %	
Subsidiaries held by the Company (cont'd)						
⌘ PIL (UK) GP Limited	Investment holding	United Kingdom	— ^{@@@}	100.00	100.00	
⌘ PIL (UK) GP 2 Limited	Investment holding	United Kingdom	100.00	100.00	100.00	
⌘ PIL (UK) SP Limited	Investment holding	United Kingdom	— ^{@@@}	100.00	100.00	
PSI (2) Pte. Ltd.	Ship owning and ship chartering	Singapore	100.00	100.00	100.00	
PSI (3) Pte. Ltd.	Ship owning and ship chartering	Singapore	100.00	100.00	100.00	
PSI (4) Pte. Ltd.	Ship owning and ship chartering	Singapore	100.00	100.00	100.00	
PST Management Pte. Ltd.	Ship owning and ship chartering	Singapore	100.00	100.00	100.00	
* PT Pilindo Megah Selatan	Ship owner	Indonesia	—	— ^{φφφ}	80.00	
* Singamas Container Holdings Limited	Investment holding	Hong Kong	41.12 [#]	41.12 [#]	41.12 [#]	
* Singamas Container Industry Co., Ltd.	Manufacturing of collapsible flatrack containers and container parts	People's Republic of China	20.00 ^{^^}	20.00 ^{^^}	20.00 ^{^^}	
* Strategic Times Limited	Renting of containers	British Virgin Islands	100.00	100.00	100.00	
* Tranpac Holdings Inc.	Investment holding, renting of containers and vessels	Republic of Panama	100.00	100.00	100.00	
* Wuxi Jiangtai International Transportation and Warehousing Co., Ltd	Container freight station, forwarding agent, trucking warehouse, container depot, etc	People's Republic of China	90.00	90.00	90.00	
* PIL Togo S.A	Shipping agency	Togo	100.00	100.00	100.00	
* PIL Cote D'Ivoire S.A	Shipping agency	Cote D'Ivoire	100.00	100.00	100.00	
* PIL Shipping Co. Ltd (Taiwan)	Shipping agency	Taiwan	100.00	100.00	100.00	
* PIL Cameroun S.A	Shipping agency	Cameroon	100.00	100.00 ^{@@}	—	
* PIL Benin	Shipping agency	Benin	100.00 ^{>}	—	—	

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest		
			2018 %	2017 %	1.1.2017 %
Associates and joint ventures held by the Company					
AAW Global Logistics Pty Ltd	Shipping agency	Australia	40.00<^>	40.00<^>	40.00<^>
CSIC Pacific (Private) Limited	Chartering of vessel to ship operator	Singapore	50.00	50.00	50.00
Eastern Maritime (Colombo) Limited	Shipping agency	Sri Lanka	40.00	40.00	40.00
Eastern Maritime (Thailand) Ltd.	Shipping agency	Thailand	41.00	41.00	41.00
K & T Logistics Limited	Container freight station, trucking warehouse, container depot, etc	Bangladesh	35.00	35.00	35.00
Ningbo Taiping International Trade Transportation Co., Ltd	Container freight station, forwarding agent, trading, trucking, warehouse, container depot, etc	People’s Republic of China	45.00	45.00	45.00
Ningbo Free Trade Zone Taiping Logistic Co., Ltd	International trade; entrepot trade; warehousing service for general cargo	People’s Republic of China	27.00**	27.00**	27.00**
Pacific International Lines (Jordan)	Shipping agency	Jordan	50.00	50.00	50.00
Pacific International Offshore Pte. Ltd.	Offshore marine vessel owning, chartering and related services	Singapore	51.00	51.00	51.00
Pacific International Lines Yemen	Shipping agency	Yemen	49.00	49.00	49.00
Pacific Seatran Lines Ltd	Crew management	Thailand	25.00**	49.00	49.00
Pacific World Shipping Limited	Shipping agency	Mauritius	40.00<^>	40.00<^>	40.00<^>
PIL Benin	Shipping agency	Benin	—>	49.00	49.00
PIL Logistic Co. Ltd.	Logistics services	Sudan	50.00	50.00	50.00
PIL-PSA Singapore Terminal Pte. Ltd.	Port services provider	Singapore	49.00	49.00	49.00

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2018

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest		
			2018 %	2017 %	1.1.2017 %
Associates and joint ventures held by the Company (cont'd)					
PIL Shipping Co. Ltd.	Shipping agency	Sudan	60.00	60.00	60.00
Pacific International Lines (Taiwan) Ltd.	Shipping agency	Taiwan	49.00	49.00	49.00
PIL (U.A.E) L.L.C.	Shipping agency	United Arab Emirates	49.00	49.00	49.00
PIL Vietnam Co., Ltd.	Shipping agency	Vietnam	70.00	70.00	70.00
PT. Segara Pacific Maju	Container depot	Indonesia	45.00	45.00	45.00
Singamas Thai Logistics Co., Ltd.	Provision of container storage and repair services	Thailand	24.00*	24.00*	24.00*
Sokhna Container Depot Limited	Container depot	Egypt	60.00	60.00	60.00
Stellar Bonded Terminals Nigeria Limited	Owners, operators and managers of bonded terminals, ports, inland container depots, etc.	Nigeria	35.00	35.00	35.00
Wuhan Sinotrans Pacific Int'l Air Service Co., Ltd	Air freight forwarding	People's Republic of China	50.00	50.00	50.00
PIL Moçambique S.A	Shipping agency	Mozambique	49.00	49.00	49.00
PT Pilindo Megah Selatan	Ship owner	Indonesia	49.00	49.00	—
GMS Assets Holdings Pty Ltd	Investment holding	Australia	49.00	49.00	—

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest		
			2018 %	2017 %	1.1.2017 %
<i>Subsidiaries held by subsidiaries</i>					
Through Singamas Container Holdings Limited					
* DY Terminal Ltd.	Provision of container storage and repair services	Hong Kong	41.12	41.12	41.12
* Eng Kong Container & Warehousing Ltd.	Investment holding	Hong Kong	30.14	30.14	30.14
* Eng Kong Container Services Ltd.	Provision of container storage, drayage and repair services	Hong Kong	30.14	30.14	30.14
* Hui Zhou Pacific Container Co., Ltd.	Manufacturing of dry freight containers	People's Republic of China	—	37.42	37.42
* Hui Zhou Singamas Energy Equipment Co., Ltd.	Manufacturing of dry freight containers	People's Republic of China	41.12*	—	—
* Ningbo Pacific Container Co., Ltd.	Manufacturing of dry freight and specialised containers	People's Republic of China	41.12	41.12	41.12
* Qidong Singamas Offshore Equipment Co., Ltd	Manufacturing of offshore containers	People's Republic of China	41.12	41.12	41.12
* Qidong Pacific Port Co., Ltd.	Provision of container terminal services	People's Republic of China	41.12	41.12	41.12
* Qidong Singamas Energy Equipment Co., Ltd.	Manufacturing of dry freight, specialised and refrigerated containers	People's Republic of China	41.12	41.12	41.12

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest		
			2018 %	2017 %	1.1.2017 %
Subsidiaries held by subsidiaries (cont'd)					
Through Singamas Container Holdings Limited (cont'd)					
* Qingdao Pacific Container Co., Ltd.	Manufacturing of dry freight and specialised containers	People's Republic of China	41.12	41.12	41.12
* Shanghai Baoshan Pacific Container Co., Ltd.	Manufacturing of dry freight containers and specialised containers	People's Republic of China	31.74	31.74	31.74
* Shanghai Pacific International Container Co., Ltd.	Manufacturing of tank containers	People's Republic of China	26.69	26.69	26.69
* Shanghai Reeferco Container Co., Ltd.	Manufacturing of refrigerated containers	People's Republic of China	41.12	41.12	41.12
* Singamas Container Industry Co., Ltd.	Manufacturing of collapsible flatrack and specialised containers	People's Republic of China	30.84	30.84	30.84
* Singamas Container Holdings (Shanghai) Limited	Provision of technical and development services of container manufacturing	People's Republic of China	41.12	41.12	41.12
* Singamas Depots Holdings Ltd.	Investment holding	Hong Kong	41.12	41.12	41.12
* Singamas Management Services Limited	Provision of management services	British Virgin Islands	41.12	41.12	41.12
* Singamas Modex Limited	Investment holding	Hong Kong	41.12	41.12	41.12
* Singamas Logistics (Qingdao) Co., Ltd.	Provision of container storage and repair services	People's Republic of China	24.67	24.67	24.67
* Singamas Logistics (Tianjin) Co., Ltd.	Provision of container storage and repair services	People's Republic of China	41.12	41.12	41.12
* Singamas North America, Inc.	Marketing containers in the USA	United States of America	41.12	41.12	41.12
* Singamas Terminals (China) Ltd.	Investment holding	British Virgin Islands	41.12	41.12	41.12

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest		
			2018 %	2017 %	1.1.2017 %
Subsidiaries held by subsidiaries (cont'd)					
Through Singamas Container Holdings Limited (cont'd)					
* Singamas Terminals Holdings Ltd.	Investment holding	British Virgin Islands	41.12	41.12	41.12
* Singamas Terminals (HK) Ltd.	Investment holding	British Virgin Islands	41.12	41.12	41.12
* Singamas Terminals (Hong Kong) Ltd.	Provision of mid-stream services	Hong Kong	41.12	41.12	41.12
* Singamas Warehouse (Shanghai) Company Ltd.	Investment holding	British Virgin Islands	41.12	41.12	41.12
* Superb Gain Holdings Limited	Property holding	British Virgin Islands	41.12	41.12	41.12
* Taicang Modex Energy Engineering Ltd	Manufacturing of offshore containers	People's Republic of China	41.12	41.12	41.12
* Tianjin Pacific Container Co., Ltd.	Manufacturing of dry freight and specialised containers	People's Republic of China	39.89	39.89	39.89
* Tianjin Singamas Container Co., Ltd.	Provision of container storage, repair and trucking services and serving as a freight station	People's Republic of China	41.12	41.12	41.12
* Well Key Limited	Provision of human resource management service	Hong Kong	41.12	41.12	41.12
* Wellmass Group Ltd.	Investment holding	British Virgin Islands	24.67	24.67	24.67
* Xiamen Pacific Container Manufacturing Co., Ltd.	Manufacturing of dry freight containers	People's Republic of China	41.12	41.12	41.12
* Yixing Singamas Metal Products Co., Ltd.	Manufacturing of container parts	People's Republic of China	39.06	39.06	39.06

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest			
			2018 %	2017 %	1.1.2017 %	
Subsidiaries held by subsidiaries (cont'd)						
Through McKay Shipping Limited						
PDL International Pte. Ltd.	Ship operator and agency	Singapore	8.40 ^{>>}	6.60	6.60	
* Seatrans New Zealand Limited	Dormant	New Zealand	70.00 ^{***}	55.00	55.00	
Through McKay Shipping Limited and PDL International Pte. Ltd.						
* Pacific Bulk Fuel Ltd	Bulk Fuel Services	New Zealand	65.70 ⁺	57.30 ⁺	57.30 ⁺	
* Transam Logistics (NZ) Limited	Logistics	New Zealand	65.70 ⁺	57.30 ⁺ ^{@@}	—	
* Wailekutu Investment Pte Ltd	Investment holding	Fiji	50.84 ⁺	46.99 ⁺ ^{@@}	—	
Through Odette Enterprises Limited						
* Eastern Maritime Company Limited	Investment holding and property investment	Hong Kong	— ^{@@@}	100.00	100.00	
Through PIL (India) Private Limited						
* Tranpac Software Solutions Private Limited	Software Support Services & Development	India	100.00	100.00	100.00	
Through PDL International Pte.Ltd.						
* SCI Transam Immobilier	Rental of building	New Caledonia	61.40 ^{***}	59.60	59.60	
* Tideline Consulting Inc	Container rental	Vanuatu	61.40 ^{***}	59.60	59.60	
* Transam Samoa Limited	Shipping agency	Samoa	31.31 ^{***}	30.40	30.40	
* Transam Shipping Tonga Limited	Shipping agency	Kingdom of Tonga	61.40 ^{***}	59.60	59.60	
* Transam Fiji Limited	Shipping agency	Fiji	44.70 [*]	—	—	
* Fastpak Fishing Inc (DBA Pago Shipping Agencies)	Shipping agency	American Samoa	61.40 ^{***}	59.60	59.60	
* Heather Street Limited	Property owner	New Zealand	46.05 ^{***}	44.70	44.70	
* Pacific Direct Line Limited	Shipping agency	New Zealand	61.40 ^{***}	59.60	59.60	

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest			
			2018 %	2017 %	1.1.2017 %	
Subsidiaries held by subsidiaries (cont'd)						
Through PDL International Pte.Ltd. (cont'd)						
* Container Repairs and Sales Limited	Container repairs, cleaning, storage and associated services of shipping containers	New Zealand	61.40***	59.60	59.60	
Through PIL Logistics Pte. Ltd.						
* PIL Logistics (China) Co., Ltd	Logistics, warehousing & supply management	People's Republic of China	100.00	100.00	100.00	
* PIL Logistics (SHA-WGQ) Co., Ltd (China)	Logistics, warehousing & supply management	People's Republic of China	100.00	100.00	100.00	
* PIL Logistics (Thailand) Ltd	Logistics, warehousing & supply management	Thailand	—@@@	49.00<	49.00<	
* Lanzhou New Area Anding Trading Co., Ltd	Trading	People's Republic of China	70.00 *	—	—	
Through Wailekutu Investment Pte Ltd						
* William & Gosling Limited	Freight Forwarding & Shipping Agency	Fiji	38.65***	27.74**	—	
* William & Gosling Properties Limited	Property Management	Fiji	38.65***	27.74**	—	
Through PIL (UK) Limited						
⌘ PIL Agencies (UK) Limited	Shipping agency	United Kingdom	100.00	100.00	100.00	
⌘ Camomile Canopia Trading (UK) Ltd	General partner	Cayman Island	—@@@	24.90	24.90	
⌘ Wigmore (No.2) Ltd	Sponsor partner	United Kingdom	—@@@	24.90	24.90	

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

1. Corporate information (cont'd)

				Proportion of ownership interest		
Name of company		Principal activities	Country of incorporation	2018 %	2017 %	1.1.2017 %
Through PIL (UK) GP Limited						
⌘	Millennium Harbour Limited	Act as nominee owner of the assets	Hong Kong	—@@@	100.00	100.00
⌘	Kota Jasa Limited	Act as nominee owner of the assets	Hong Kong	—@@@	100.00	100.00
Through Tranpac Holdings Inc.						
*	Transpac Shipping Enterprise Ltd	Dormant	Hong Kong	100.00	100.00	100.00
Through PIL (UK) GP 2 Limited						
⌘	Kota Jaya Limited	Act as nominee owner of the assets	Hong Kong	—@@@	100.00	100.00
⌘	Kota Juta Limited	Act as nominee owner of the assets	Hong Kong	—@@@	100.00	100.00

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest		
			2018 %	2017 %	1.1.2017 %
<i>Associates and joint ventures held by subsidiaries</i>					
Through Singamas Container Holdings Limited					
Dalian Singamas International Container Co., Ltd.	Provision of container storage and repair services	People's Republic of China	15.13	15.13	15.13
Fuzhou Singamas Container Co., Ltd.	Provision of container storage and repair services	People's Republic of China	16.45	16.45	16.45
Shanghai Huasing International Container Freight Transportation Co., Ltd	Provision of container depot and related logistics services	People's Republic of China	16.45	16.45	16.45
Modex Holding Limited	Manufacturing and leasing of offshore containers	British Virgin Islands	12.54	12.54^	12.30
Ningbo Victory Container Co., Ltd.	Provision of container storage and repair services	People's Republic of China	16.45	16.45	16.45
Singamas Thai Logistics Co., Ltd.	Provision of container storage and repair services	Thailand	10.28	10.28	10.28
Xiamen Xiangyu Singamas Container Co., Ltd.	Provision of container storage, repair and trucking services, and serving as a freight station	People's Republic of China	14.39	14.39	14.39
ALS Singamas Logistics Ltd.	Provision of liquid tank logistics operation	India	12.34	12.34**	—
Guangxi Singamas Container Co Ltd	Provision of container depot and related logistics services	People's Republic of China	22.62	22.62	22.62
Qingdao Singamas International Logistics Co. Ltd.	Provision of container storage and repair services	People's Republic of China	10.36*	—	—

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest			
			2018 %	2017 %	1.1.2017 %	
Associates and joint ventures held by subsidiaries (cont'd)						
Through McKay Shipping Limited						
ISS-McKay Ltd	Agency services to bulk, tramper, non-liner and cruise principal	New Zealand	34.30###	26.95	26.95	
Kenua Agency Limited	Ship operator and agency	Noumea	14.00###	11.00	11.00	
Pacific Marine Management Limited	Ship consultancy business	New Zealand	35.00###	27.50	27.50	
Through PDL International Pte. Ltd.						
Agence Kenua	Shipping agency	New Caledonia	13.82+++	13.41	13.41	
Asean Pacific Logistics Pty Ltd	Logistics	Australia	31.31+++	30.40	30.40	
CRS Tauranga Limited	Container terminals	New Zealand	31.31+++	30.40	30.40	
Greater Pacific Shipping LP	Ship operator	New Zealand	16.37+++	15.90	15.90	
Transam Fiji Limited	Shipping agency	Fiji	—*	29.80	29.80	
Transam Cook Islands	Shipping agency	Cook Islands	30.70+++	29.80	29.80	
Transam Genera Fumigation	Container cleaning	New Zealand	30.70+++	29.80	29.80	
SCI Gatope	Property owner	New Caledonia	20.46+++	19.86	19.86	
Southpac Shipping Limited	Ship operator	New Zealand	33.77+++	32.78	32.78	
Transam Tuvalu Ltd	Ship agency	Tuvalu	30.70+++	29.80	29.80	
JVT Logistics Limited	Logistics	New Zealand	15.35*	—	—	
Transam Tarawa Limited Agency		New Zealand	30.70*	—	—	

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2018

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest			
			2018 %	2017 %	1.1.2017 %	
Associates and joint ventures held by subsidiaries (cont'd)						
Through PIL Logistics Pte. Ltd.						
FASA PIL Logistics Company Limited	Logistics, warehousing and supply management	Vietnam	40.00	40.00	40.00	
PIL Logistics Polymer Bagging Sdn Bhd	Handling bagging activities	Malaysia	50.00	50.00	50.00	
Taiyo PILL (Cambodia) Co., Ltd	Inspection and valuation services on all kinds of products, distribution services and trading	Cambodia	40.00	40.00	40.00	
PIL Logistics USA, Inc.	Logistics, warehousing & supply management	United States of America	50.00	50.00	50.00	

Other associates and joint ventures held

Through Pacific Asia Express Pty Ltd and AAW Global Logistics Pty Ltd

Regional Shipping & Logistics Serv PL	Shipping agency	Australia	52.50**	52.50**	52.50**
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* On 26 May 2017, Modex Holding Limited ("Modex") exercised an option to repurchase 720 shares from a non-controlling interest shareholder for the consideration of the cancellation of two US\$1,500,000 promissory notes each issued by the non-controlling interest shareholder to Modex. Modex cancelled the 720 shares after the repurchase. Such transaction increased the Group equity interest in Modex with no change in the board seating.

< PIL Logistics (Thailand) Ltd was deemed to be a subsidiary of PIL Logistics Pte. Ltd. through the control of the composition of the board of directors in 2016 and 2017.

* Pacific Bulk Fuel Ltd, Transam Logistics (NZ) Limited and Wailekutu Investment Pte Ltd are the subsidiaries of the Group through interests held by McKay Shipping Limited and PDL International Pte. Ltd.

** As the Group does not exercise control through its interests in Regional Shipping & Logistics Serv PL, the investment is accounted for as an associate.

** Acquired during the financial year 2017

• Acquired during the financial year 2018

* Incorporated during the financial year 2018

@@ Incorporated during the financial year 2017

φφ Liquidated during the financial year 2017

@@@ Liquidated during the financial year 2018

*** Disposed during the financial year 2018

* In 2018, the Group acquired 73% equity interest in Transam Fiji Limited through PDL International and it became a subsidiary of the Group.

** In 2018, the Group disposed 24% equity interest in Pacific Seatran.

*** In June 2018, the Group acquired additional 15% equity interest in Seatrans New Zealand Limited through McKay Shipping Limited.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2018

1. Corporate information (cont'd)

- <> The financial year ends for these companies differ from the Group. AAW Global Logistics Pty Ltd and Pacific World Shipping Limited have financial year ends on 30 June.
- @ Singamas Thai Logistics Co., Ltd. is also an associate of Singamas Container Holdings Limited.
- ** Ningbo Free Trade Zone Taiping Logistics Co., Ltd is also an associate of Ningbo Taiping International Trade Transportation Co., Ltd.
- # Singamas Container Holdings Limited is deemed to be a subsidiary as the Company has control over its financial and operating policies.
- *A Singamas Container Industry Co., Ltd is a subsidiary of Singamas Container Holdings Limited and is deemed to be a subsidiary of the Company.
- > In July 2018, the Group acquired the remaining 51% equity interest in PIL Benin. After the acquisition, PIL Benin became a subsidiary of the Group.
- .. In June 2018, the Group acquired additional 15% equity interest in Mckay Shipping Limited.
- ... In 2018, the additional indirect shareholding of the Group increased from 6.6% to 8.4% in PDL International through Mckay resulted in the corresponding increase in proportion of ownership interest in these subsidiaries held under PDL International Pte. Ltd.
- #### In 2018, the proportion ownership interest of these associates and joint ventures increased as a result of the Group acquiring additional 15% equity interest in Mckay Shipping Limited.
- +++ In 2018, the additional indirect shareholding of the Group increased from 6.6% to 8.4% in PDL International through Mckay resulted in the corresponding increase in proportion of ownership interest in these associates and joint ventures held under PDL International Pte. Ltd.
- *** In 2018, the Group acquired additional 15% equity interest in Mckay Shipping Limited which resulted in the corresponding increase in the proportion ownership interest of William & Gosling Limited and William & Gosling Properties Limited.
- >> In 2018, the additional indirect shareholding of the Group increased from 6.6% to 8.4% in PDL International through Mckay.
- φφφ In July 2017, the Group disposed 31% equity interest in PT Pilindo Megah Seletan ("PTPMS"). After the disposal, PTPMS became an associate of the Group.

Notes:

- (i) All subsidiaries are audited by Ernst & Young LLP, Singapore, except those indicated with (*), which are audited by other firms.
- (ii) All the active companies operate in their respective countries of incorporation.
- (iii) The companies indicated with a (φφ) are audited by member firms of EY Global in the respective countries.

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars ("USD" or "US\$") and all values are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by US\$872,281,000 (2017: US\$596,953,000). In the opinion of the Directors, the Group will be able to generate sufficient cash flows from operations and, coupled with continued support and funding from lenders, has sufficient funding to meet its financial obligation as and when they fall due.

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)")*

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.
- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- The comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 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) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. For debt instruments that were measured at FVOCI previously, the Group's business model is to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at FVOCI when it applies SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

For equity investments, the Group continues to measure its currently held-for-trading equity investments and one of its available-for-sale (AFS) quoted investments at FVPL. As a result of the initial adoption of SFRS(I) 9, the Group measures its unquoted equity investments previously measured at cost under AFS to FVPL and FVOCI. In addition, the Group measures one of its quoted investments previously under AFS at FVOCI to FVPL. The impact arising from these changes resulted in an increase in carrying value of US\$13,927,000 to the unquoted equity investments with a corresponding adjustment to the fair value reserve and non-controlling interest, and a fair value adjustment of US\$26,000 related to those investments that were previously under the fair value reserve transferred to retained earnings respectively as at 1 January 2018.

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade debtors of US\$968,000 and amount due from related companies of US\$55,000.

The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of US\$990,000 and non-controlling interest of US\$33,000 as at 1 January 2018.

The initial application of SFRS (I) 9 does not have any reclassification effect to the Group's and Company's financial statements.

There is no corresponding tax impact to the Group and the Company arising from the adoption of SFRS (I) 9.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(l) (cont'd))

SFRS(l) 9 Financial Instruments (cont'd)

The Group has assessed which business model apply to the financial assets held by the Group at 1 January 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(l) 9. The effects, before tax impact are as follows:

Financial assets:	Group							
	Available-for-sale investment US\$'000	Fair value through profit or loss US\$'000	FVOCI US\$'000	Trade debtors US\$'000	Amount due from fellow subsidiaries and associates US\$'000	Accumulated profits US\$'000	Fair value reserve US\$'000	Non-controlling interest US\$'000
Balance as at 31 December 2017 - Before adoption of SFRS(l) 9	76,475	511	—	517,473	30,459	1,068,482	3,063	415,887
Effect arising from initial application of SFRS(l) 9								
Reclassification								
From available-for-sale investment	(76,475)	60,065	16,410	—	—	—	—	—
Remeasurement								
From cost less impairment to fair value	—	—	13,927	—	—	26	5,701	8,200
Impairment under ECL model	—	—	—	(968)	(55)	(990)	—	(33)
Balance as at 1 Jan 2018 - after adoption of SFRS(l) 9	—	60,576	30,337	516,505	30,404	1,067,518	8,764	424,054

The initial application of SFRS(l) 9 does not have any reclassification effect to the Company's financial statements.

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

2. Summary of significant accounting policies (cont'd)

2.2 *First-time adoption of SFRS(I) (cont'd)*

SFRS(I) 9 *Financial Instruments* (cont'd)

Impairment

The reconciliation for expected credit loss allowances for the Group are as follow:

	Group	
	Trade debtors US\$'000	Amount due from holding/related companies US\$'000
Opening loss allowance as at 1 January 2018	9,256	5
Amount restated through opening retained earnings	968	55
Adjusted loss allowance	10,224	60

2. Summary of significant accounting policies (cont'd)

2.2 *First-time adoption of SFRS(I) (cont'd)*

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018. The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been the same;

The principal activities of the Group are those of ship operator, ship owner and manufacturing of containers and the Group's revenue mainly represents income derived from freight services and sales of containers. The performance obligations under the shipping services are satisfied over the voyage period, while sales of containers are satisfied at point in time.

Presentation of contract assets and contract liabilities

(i) Shipping segment

Contract assets constitute unbilled amounts to customers representing the Group's unconditional rights to consideration for the services transferred to date.

Contract liabilities constitute the remaining performance obligation as at the reporting date in connection with shipments on voyages not yet completed which represents advance payments and billings in excess of revenue recognised.

(ii) Container manufacturing segment

Contract liabilities mainly included advances from customers for which the containers contracted yet to be transferred to customers.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new standards on 1 January 2017 to the consolidated balance sheet of the Group.

	1 January 2017 (under SFRS) US\$'000	SFRS(I) 15 adjustments US\$'000	1 January 2017 (under SFRS(I)) US\$'000
Non-current assets			
Other non-current assets	4,523,695	—	4,523,695
Current assets			
Other debtors	122,030	(6,091)	115,939
Contract assets	—	6,091	6,091
Other current assets	1,090,386	—	1,090,386
	<u>1,212,416</u>	<u>—</u>	<u>1,212,416</u>
Current liabilities			
Trade creditors	584,267	(40,153)	544,114
Other creditors and accruals	143,010	(21,175)	121,835
Contract liabilities	—	61,328	61,328
Other current liabilities	1,477,858	—	1,477,858
	<u>2,205,135</u>	<u>—</u>	<u>2,205,135</u>
Non-current liabilities			
Other non-current liabilities	1,765,721	—	1,765,721
Net assets	<u>1,765,255</u>	<u>—</u>	<u>1,765,255</u>
Equity			
Share capital	376,127	—	376,127
Total reserves	1,010,754	—	1,010,754
	<u>1,386,881</u>	<u>—</u>	<u>1,386,881</u>
Non-controlling interests	378,374	—	378,374
Total equity	<u>1,765,255</u>	<u>—</u>	<u>1,765,255</u>

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new standards on 31 December 2017 and 1 January 2018 to the consolidated balance sheet of the Group.

	31 December 2017 (under SFRS) US\$'000	SFRS(I) 15 adjustments US\$'000	31 December 2017 (under SFRS(I)) US\$'000	SFRS(I) 9 adjustments US\$'000	1 January 2018 (under SFRS(I)) US\$'000
Non-current assets					
Investments	76,475	—	76,475	13,927	90,402
Other non-current assets	4,559,354	—	4,559,354	—	4,559,354
	4,635,829	—	4,635,829	13,927	4,649,756
Current assets					
Trade debtors	472,150	45,323	517,473	(968)	516,505
Other debtors	175,459	(10,455)	165,004	—	165,004
Contract assets	—	10,455	10,455	—	10,455
Amounts due from related companies	30,459	—	30,459	(55)	30,404
Other current assets	793,177	—	793,177	—	793,177
	1,471,245	45,323	1,516,568	(1,023)	1,515,545
Current liabilities					
Other creditors and accruals	223,821	(35,707)	188,114	—	188,114
Contract liabilities	—	81,030	81,030	—	81,030
Other current liabilities	1,844,377	—	1,844,377	—	1,844,377
	2,068,198	45,323	2,113,521	—	2,113,521
Non-current liabilities					
Other non-current liabilities	2,132,935	—	2,132,935	—	2,132,935
Net assets	1,905,941	—	1,905,941	12,904	1,918,845
Equity					
Share capital	376,127	—	376,127	—	376,127
Fair value reserve	3,063	—	3,063	5,701	8,764
Revenue reserve	1,068,482	—	1,068,482	(964)	1,067,518
Other reserves	42,382	—	42,382	—	42,382
	1,490,054	—	1,490,054	4,737	1,494,791
Non-controlling interests	415,887	—	415,887	8,167	424,054
Total equity	1,905,941	—	1,905,941	12,904	1,918,845

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new standards on 1 January 2017 to the consolidated balance sheet of the Company.

	1 January 2017 (under SFRS) US\$'000	SFRS(I) 15 adjustments US\$'000	1 January 2017 (under SFRS(I)) US\$'000
Non-current assets			
Other non-current assets	3,131,237	—	3,131,237
Current assets			
Trade debtors	39,850	—	39,850
Other current assets	380,688	—	380,688
	420,538	—	420,538
Current liabilities			
Trade creditors	321,803	(40,153)	281,650
Contract liabilities	—	40,153	40,153
Other current liabilities	1,151,574	—	1,151,574
	1,473,377	—	1,473,377
Non-current liabilities			
Other non-current liabilities	1,185,198	—	1,185,198
Net assets	893,200	—	893,200
Equity			
Share capital	376,127	—	376,127
Total reserves	517,073	—	517,073
Total equity	893,200	—	893,200

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new standards on 31 December 2017 to the consolidated balance sheet of the Company.

	31 December 2017 (under SFRS) US\$'000	SFRS(I) 15 adjustments US\$'000	31 December 2017 (under SFRS(I)) US\$'000
Non-current assets			
Other non-current assets	3,321,465	–	3,321,465
Current assets			
Trade debtors	43,763	45,323	89,086
Other current assets	386,926	–	386,926
	430,689	45,323	476,012
Current liabilities			
Contract liabilities	–	45,323	45,323
Other current liabilities	1,429,540	–	1,429,540
	1,429,540	45,323	1,474,863
Non-current liabilities			
Other non-current liabilities	1,381,570	–	1,381,570
Net assets	941,044	–	941,044
Equity			
Share capital	376,127	–	376,127
Total reserves	564,917	–	564,917
Total equity	941,044	–	941,044

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT FRS 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 3 <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

Except for SFRS(I) 16, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees - leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. lease liability) and an asset representing the rights to use the leased assets during the lease term (i.e. right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

2.4 Foreign currency

The consolidated financial statements are presented in United States Dollars (USD), 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 closing rate of exchange ruling at 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 end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to consolidated income statement on disposal of the foreign operation.

2. Summary of significant accounting policies (cont'd)

2.4 Foreign currency (cont'd)

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of 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.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.5 Subsidiaries and principles of consolidation

(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.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.5 Subsidiaries and principles of consolidation (cont'd)

(a) Basis of consolidation (cont'd)

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

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

(b) Business combinations and goodwill

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

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

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

2. Summary of significant accounting policies (cont'd)

2.5 Subsidiaries and principles of consolidation (cont'd)

(b) Business combinations and goodwill (cont'd)

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 acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. 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 ("CGU") 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 CGU to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates.

(c) 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.

Details of the Group's significant subsidiaries are shown in Note 1 to the financial statements.

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

2. Summary of significant accounting policies (cont'd)

2.6 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2.7 *Associates and joint ventures*

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

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

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 represents 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 or joint venture's profit or loss in the period which the investment is acquired.

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

2. Summary of significant accounting policies (cont'd)

2.7 Associates and joint ventures (cont'd)

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

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 or joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are non-coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost less impairment losses.

Details of the Group's significant associates are shown in Note 1 to the financial statements.

2.8 Fixed assets

All items of fixed assets are initially recorded at cost. Such cost includes the cost of replacing of fixed assets and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying fixed asset. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of fixed assets is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent expenditure relating to fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item, in excess of the originally assessed standard of performance, will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit and loss as incurred. Subsequent to recognition, fixed assets are stated at cost or valuation less accumulated depreciation and any impairment in value.

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

2. Summary of significant accounting policies (cont'd)

2.8 Fixed assets (cont'd)

Costs incurred on subsequent drydocking of vessels are capitalised and depreciated over the period to the next drydocking date. When significant drydocking costs recur prior to the expiry of the depreciation period, the remaining costs of the previous drydocking are written off in the month of the subsequent drydocking.

Leasehold land with more than 50 years to expiry is regarded as long leasehold land. The freehold land, long leasehold land and buildings are stated at cost or valuation. Fair value is determined from either market-based evidence by appraisal that is undertaken by professionally qualified valuers or management. Revaluations are made as and when deemed appropriate to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

An item of fixed asset 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. In respect of the disposal of motor vessels, the resulting gains or losses are taken up based on the date of delivery of the vessels.

The carrying amounts of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation

Depreciation on fixed assets is calculated on the straight-line method that write-off the cost or valuation of the assets over their estimated useful lives. Depreciation of an asset begins when it is available for use. No depreciation is provided on freehold and long leasehold land as well as assets under construction. The estimated useful lives are as follows:

Short leasehold land	-	20 to 50 years
Buildings	-	20 to 50 years
Motor vessels	-	25 to 30 years
Machinery, equipment and motor vehicles	-	3 to 15 years

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of fixed assets, and adjusted prospectively, if appropriate.

During the financial year, the Group revised the estimated residual value and useful lives of containers from 10 years to 13 years. The directors are of the view that the change would more fairly reflect the future economic benefit of the containers and to re-align with the industry practise.

The revised residual value and depreciation rate is applied prospectively without adjustment to previously reported figures. As a result of the changes, depreciation expense was lower and consequently, profit before taxation was higher by US\$15,969,000 for the financial year ended 31 December 2018.

2. Summary of significant accounting policies (cont'd)

2.9 Investment property

Investment property is property that is owned by the Group that is held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair values of investment property is included in profit or loss in the year in which they arise.

2.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated economic 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. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss through the 'amortisation of intangible assets' line item.

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

Gains or losses arising from derecognition 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.

Patents

Patents were acquired through business combinations. Patents represent the cost of acquiring rights to technical know-how for the production and sale of new products. Patents are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years.

Software

Where software is not an integral part of the related hardware, it is treated as intangible asset. Computer software that is an integral part of the related hardware is treated as part of the hardware and classified as fixed assets (Note 2.8).

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding cost beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

2. Summary of significant accounting policies (cont'd)

2.10 Intangible assets (cont'd)

Software (cont'd)

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its original specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Cost associated with maintaining computer software are recognised as an expense when incurred.

They are amortised on a straight-line basis over their estimated useful lives of 10 years.

Software costs which are assessed as having no continuing economic value are written off to the income statement.

2.11 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 indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) 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 CGU'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 groups of assets. Where the carrying amount of an assets or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. 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 increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

2. Summary of significant accounting policies (cont'd)

2.11 *Impairment of non-financial asset (cont'd)*

Reversal of an impairment loss is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through profit or loss is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.12 *Stocks*

Stocks are stated at the lower of cost and net realisable value. Costs incurred are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are calculated on the weighted average basis.
- Bunker fuels: purchase costs on a first-in first-out basis.
- Lubricant stocks: these costs are calculated on weighted average basis.

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.13 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial 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 debtors 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 debtors do not contain a significant financing component at initial recognition.

2. Summary of significant accounting policies (cont'd)

2.13 Financial assets (cont'd)

Subsequent measurement

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 three measurement categories for classification of debt instruments are:

(i) 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) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments 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 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.

2. Summary of significant accounting policies (cont'd)

2.13 Financial assets (cont'd)

Derecognition

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

2.14 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 de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts 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 ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows 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 any collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs 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).

2. Summary of significant accounting policies (cont'd)

2.15 *Impairment of financial assets (cont'd)*

For trade debtors, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.16 *Cash and short-term deposits*

Cash and short-term deposits comprise cash at bank and on hand and unsecured fixed deposits with financial institutions that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

2.17 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.15 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.18 *Deferred transaction costs*

Deferred transaction costs relate to costs incurred in connection with long-term financing facilities which are deferred and amortised on an effective interest method over the tenure of the credit financing facilities.

2. Summary of significant accounting policies (cont'd)

2.19 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.

2.20 Provisions

Provisions are recognised when the Group or the Company 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 each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits 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.

2.21 Government grants

Government grants are recognised as a receivable at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. Government grants relating to assets are deducted against the carrying amount of the assets.

2.22 Employee benefits

(a) Defined contribution plans

The Group participates in the state 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 which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. Accrual is made for the estimated liability for the unconsumed leave as a result of services rendered by employees up to balance sheet date.

2. Summary of significant accounting policies (cont'd)

2.22 Employee benefits (cont'd)

(c) Share-based payments

Equity-settled share-based payments transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to revenue reserve.

(d) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management personnel are considered key management personnel.

2.23 Leases

(a) As lessee

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

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

Operating lease payments 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 bases as rental income.

2. Summary of significant accounting policies (cont'd)

2.24 Non-current assets held for sale and discontinued operations

Non-current assets and disposal group 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 group are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. 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.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Upon classification as held for sale, non-current assets are not depreciated or amortised.

2.25 Revenue

Revenue is measured based on the consideration to which the Group expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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.

(a) Shipping and logistic services

The Group provides container and dry bulk cargo shipping services to its customers. The performance obligation is satisfied over time as the customers simultaneously receive and consume the benefits provided by the Group's provision of shipping services. As such, revenue is recognised over time based on the actual completion of the voyages relative to the expected duration of completed voyages.

The customer is invoiced based on the bill of lading. Contract assets mainly included receivables in connection with shipments on voyages not yet completed as at the reporting date. Contract liabilities mainly included prepayments received from pending voyages.

The Group also provides shipping related activities including container terminal operations, sea-land logistics and supply chain management services, such as trucking services and warehouse services.

2. Summary of significant accounting policies (cont'd)

2.25 Revenue (cont'd)

(a) Shipping and logistic services (cont'd)

Revenue from logistics services is recognised at a point in time in which the logistic-related services are rendered. The Group generally charges the logistic related service fee based on either fixed daily rate or cost-plus.

(b) Manufacturing of containers

The Group manufactures a wide range of products including marine dry freight containers, refrigerated containers, collapsible flatrack containers, tank containers, US domestic containers, offshore containers, other specialised containers and container parts. The Group charged the selling price of each of containers based on the agreed purchase order.

The performance obligation of the contract of manufacturing containers represents producing the containers to its customers in accordance to the standard requirements stated in the purchase order.

Control of the containers is considered transferred to customers upon the completion of inspection through acknowledging the acceptance notes by customers and delivering to specific location under certain circumstances. Transportation and handling activities that occur before the customer obtains control of the containers are considered as fulfilment activities. Contract liabilities mainly included advances from customers for which the containers contracted yet to be transferred to customers.

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(d) Interest income

Interest income is recognised using the effective interest method.

2.26 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 balance sheet date, in the countries where the Group operates and generate taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax 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.

2. Summary of significant accounting policies (cont'd)

2.26 Taxes (cont'd)

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset 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 balance sheet date.

2. Summary of significant accounting policies (cont'd)

2.26 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

2.27 Related parties

A related party is defined as follows:

- (a) a person or a close member of that person's family is related to the Group and Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) an entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is controlled or jointly controlled by a person identified in (a); or
 - (vi) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. Summary of significant accounting policies (cont'd)

2.28 *Derivative financial instruments and hedging activities*

The Group uses derivative financial instruments such as forward currency swaps, interest rate swaps, foreign currency forward contracts and bunker swaps to hedge its risks associated with foreign currency, interest rate and bunker price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Fair values of derivative financial instruments are obtained from valuations provided by the counterparties. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the year.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relation to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in hedging reserve at that time remains in hedging reserve and is recognised in profit or loss when the hedged items affect profit or loss.

2. Summary of significant accounting policies (cont'd)

2.29 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management of the Group. The senior management are responsible for allocating resources and assessing performance of the operating segments. Additional disclosures on each of these segments are shown in Note 50, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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) Impairment of motor vessels

The Group assesses whether there is any indication of impairment for the motor vessels as at each balance sheet date. Impairment is recognised when events and circumstances indicate that the motor vessels may be impaired and the carrying amounts of the motor vessels exceed the recoverable amounts. The Group determined the recoverable amount of motor vessels based on value-in-use calculation. The value-in-use calculation is based on a discounted cash flow models. The future cash flows beyond the specified period are forecasted based on the forecasted freight rate and utilisation rates. The future cash flows are discounted to their present value using a discount rate that reflects the time value of money. The carrying amount of the Group's and Company's vessels is disclosed in Note 12.

2. Summary of significant accounting policies (cont'd)

2.30 Significant accounting estimates and judgments (cont'd)

Key sources of estimation uncertainty (cont'd)

(a) Impairment of motor vessels (cont'd)

Residual value of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 5 to 50 years. The Group reviews the residual value of fixed assets periodically to ensure that the amount is consistent with future economic benefits embodied in these fixed assets at point of disposal.

In determining the residual values of the fixed assets, the Group considers the net proceeds that would be obtained from disposal of the assets in the resale or scrap markets, fluctuations in scrap steel prices and industry practice. The carrying amount of the Group's and Company's fixed assets are disclosed in Note 12.

(b) Provision for expected credit losses of trade debtors

The Group uses a provision matrix to calculate ECLs for trade debtors. 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 rate, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic condition may also not be representative of customer's actual default in the future. The carrying amount of the Group's trade debtors and information about the ECLs are disclosed in Note 21 and Note 47(a), respectively.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

3. Turnover

(a) Disaggregation of revenue from contracts with customers

Revenue of the Group represents freight income, charter hire income, sales of containers and others after eliminating intercompany transactions. The amount of each significant category of revenue recognised during the year is as follows:

Group	Shipping		Manufacturing		Total	
	2018	2017	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Primary geographical markets						
- Africa	879,788	983,627	656	465	880,444	984,092
- Asia	941,188	905,716	762,977	540,594	1,704,165	1,446,310
- Australasia	308,050	272,992	7,105	3,400	315,155	276,392
- Europe	27,485	30,129	105,788	108,136	133,273	138,265
- The Americas	633,418	419,515	824,118	772,795	1,457,536	1,192,310
	2,789,929	2,611,979	1,700,644	1,425,390	4,490,573	4,037,369
Major product or service lines						
Freight and charter hire	2,631,501	2,450,368	-	-	2,631,501	2,450,368
Sales of containers	935	18,939	1,677,097	1,396,075	1,678,032	1,415,014
Others	157,493	142,672	23,547	29,315	181,040	171,987
	2,789,929	2,611,979	1,700,644	1,425,390	4,490,573	4,037,369
Timing of transfer of goods or services						
- At a point in time	158,428	161,611	1,677,097	1,396,075	1,835,525	1,557,686
- Over time	2,631,501	2,450,368	23,547	29,315	2,655,048	2,479,683
	2,789,929	2,611,979	1,700,644	1,425,390	4,490,573	4,037,369

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

3. Turnover (cont'd)

(a) Disaggregation of revenue from contracts with customers (cont'd)

Revenue of the Company represents freight income, charter hire income and others after eliminating intercompany transactions. The amount of each significant category of revenue recognised during the year is as follows:

Company	Shipping	
	2018 US\$'000	2017 US\$'000
Primary geographical markets		
- Africa	848,911	950,808
- Asia	676,535	641,226
- Australasia	243,480	208,420
- Europe	54,030	29,767
- The Americas	506,425	377,594
	<u>2,329,381</u>	<u>2,207,815</u>
Major product or service lines		
Freight and charter hire	<u>2,329,381</u>	<u>2,207,815</u>
Timing of transfer of goods or services		
- Over time	<u>2,329,381</u>	<u>2,207,815</u>

(b) Contract assets and liabilities

Information about trade debtors, contract assets and contract liabilities from contracts with customers are disclosed as follows:

	Group			Company		
	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000
Trade debtors (Note 21)	450,731	517,473	368,877	116,713	89,086	39,850
Contract assets	11,927	10,455	6,091	—	—	—
Contract liabilities	118,603	81,030	61,328	64,979	45,323	40,153

(i) Shipping segment

Under SFRS(I) 15, the Group measures revenue based on the consideration specified in a contract with a customer. The revenue is recognised when the shipment on voyages is rendered. The performance obligation is fulfilled and the revenue is recognised in the period when the shipping service is rendered on period-based. The recognition of revenue is determined by performance progress. Since revenue recognition of shipping freight is already recognised and categorised on a period-based previously, the first time application of SFRS(I) 15 has not had any significant effects in relation to this revenue stream. The method currently used to measure performance progress continues to be used under SFRS(I) 15.

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

3. Turnover (cont'd)

(a) Contract assets and liabilities (cont'd)

(i) Shipping segment (cont'd)

Contract liabilities constitute the remaining performance obligation as at the reporting date in connection with shipments on voyages not yet completed which represents advance payments and billings in excess of revenue recognised.

Contract assets constitute unbilled amounts to customers representing the Group's unconditional rights to consideration for the services transferred to date.

(ii) Container manufacturing segment

Contract liabilities mainly included advances from customers for which the containers contracted yet to be transferred to customers.

4. Other operating income

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Gain on disposal of fixed assets, net	—	2,012	1,697	—
Management fees	28	261	859	1,061
Human resource and administrative fees	113	118	1,616	1,690
Rental income	1,808	1,644	—	—
Containers freight station income	1,272	1,655	—	—
Government incentive	2,627	2,484	411	522
Bad debts recovered	—	3,551	—	—
Compensation and commission income	7,364	4,379	—	—
Sales of damaged containers	—	2,045	—	—
Gain on bargain purchase (Note 15)	1,565	—	—	—
Others	3,632	3,578	636	640
	18,409	21,727	5,219	3,913

5. Investment and interest income

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Gross dividends received from:				
- Quoted subsidiaries	—	—	3,159	1,910
- Unquoted subsidiaries	—	—	51,024	81,814
- Unquoted associates	—	—	4,752	4,170
- Other quoted investments	35	156	25	25
- Other unquoted investments	1,366	1,085	—	78
	1,401	1,241	58,960	87,997
Interest from banks and other sources	5,744	2,954	1,561	478
	7,145	4,195	60,521	88,475

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

6. Staff costs

This is stated after charging:

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Employer's contribution to defined contribution plans	15,950	15,043	3,368	3,232

7. (Allowance)/write-back of impairment losses, net

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Write-back/(allowance) of impairment loss on subsidiaries (Note 15)	–	–	6,146	(5,713)
Write-back for impairment loss on associates and joint ventures	113	876	–	814
(Allowance)/write-back of impairment loss on financial assets:				
- Trade debtors (Note 21)	(866)	(645)	149	(594)
- Other debtors (Note 22)	(14)	109	–	–
- Long-term loans to associates of a subsidiary	45	(35)	–	–
- Amount due from associates and joint ventures (Note 24)	(96)	–	–	–
	(818)	305	6,295	(5,493)

8. Fair value changes in investments/derivative financial instruments

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Fair value changes in:				
Investments, at fair value through profit or loss, net	(16,716)	141	(16,877)	–
Derivative financial instruments, net				
- Bunker swaps	(592)	3,976	(592)	3,843
- Interest rate swaps	(227)	756	(274)	–
- Forward currency contracts	42	–	42	–
	(777)	4,732	(824)	3,843
	(17,493)	4,873	(17,701)	3,843

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

9. Administration and non-shipping expenses

This is stated after charging:

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Fixed assets written off, net of amount recovered	1,652	1,215	785	482
Loss on disposal of fixed assets, net	32,375	–	–	16,594

10. Finance costs

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Interest on loans	160,618	87,451	115,862	49,316
Other interest expense	18,863	12,713	15,152	7,718
Bank commission and charges	2,791	2,244	1,668	1,256
Amortisation of deferred transaction costs:				
- Loans (Note 28)	5,383	4,242	2,443	815
- Amount due to related companies (Note 30)	214	209	214	209
- Others (Note 18)	4,643	1,242	4,443	1,235
Interest on Notes	13,695	14,445	13,695	14,445
Amortisation of Notes issuance costs	1,402	1,287	1,402	1,287
	207,609	123,833	154,879	76,281

11. Taxation

The tax charge to the income statement comprises of the following:

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Income statements				
<i>Current taxation:</i>				
Current tax expense	33,977	27,720	11,748	5,006
(Over)/under provision in respect of prior years	(578)	223	69	22
	33,399	27,943	11,817	5,028
<i>Deferred taxation:</i>				
Movement in temporary differences	1,183	744	–	–
	34,582	28,687	11,817	5,028

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2018

11. Taxation (cont'd)

The Company and its four subsidiaries were granted the Maritime Sector Incentive - Approved International Shipping by the Maritime Port Authority ("MPA"), under which income from qualifying shipping operators is exempt from tax, with effect to 14 July 2023 under the Singapore Income Tax Act.

On 9 November 2017, the MPA approved the extension of the Maritime Sector Incentive – Maritime Leasing (MSI-ML) scheme for a subsidiary for a period of five years. Under this incentive scheme, charter income derived from the subsidiary would qualify for tax exemption up to 8 November 2022.

Income derived from the charter hire of vessels stationed in waters outside of Singapore during the financial year is exempt from income tax under Section 13A of the Singapore Income Tax Act, Chapter 134.

Taxation on overseas profits has been calculated based on the estimated assessable profit for the year at the tax rates prevailing in the countries in which the Group operates.

The reconciliation between tax charge on the (loss)/profit of the Group and the Company for the years ended 31 December 2018 and 2017 and the amount that arise by applying the Singapore statutory income tax rate to (loss)/profit before taxation are as follows:

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/profit before taxation	(173,741)	148,188	(255,593)	51,875
Tax calculated at statutory tax rate of 17% (2017: 17%)	(29,536)	25,192	(43,451)	8,819
Adjustments:				
Effect of change in tax rate	–	(9)	–	–
Non-taxable income	(28,647)	(16,059)	(115)	(15)
Expenses not deductible for tax purposes	49,421	41,207	22,777	22,125
Effect of different tax rates of other countries	11,122	5,686	–	–
Tax exempt losses/(income)	16,961	(30,705)	21,084	(30,710)
Deferred tax assets not recognised	322	279	–	–
Utilisation of previously unrecognised tax losses and capital allowances	(1,534)	(6,316)	–	–
Tax effect on tax losses arising in the current year not recognised	6,220	4,826	–	–
Tax relief	(84)	(366)	–	–
Share of results of associates and joint ventures	(1,783)	(1,525)	–	–
Withholding tax on undistributed profits	994	1,273	–	–
Others	151	121	(90)	(73)
	23,607	23,604	205	146
(Over)/under provision in respect of prior years	(578)	223	69	22
Corporate tax expense	23,029	23,827	274	168
Withholding tax expense	432	324	422	324
Foreign taxes expense	11,121	4,536	11,121	4,536
Income tax expense recognised in profit or loss	34,582	28,687	11,817	5,028

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

11. Taxation (cont'd)

Deferred taxation as at 31 December relates to the following:

	Group			Consolidated Income Statement	
	Balance Sheet			Statement	
	2018	31.12.2017	1.1.2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets					
Differences in depreciation	(159)	—	1	159	1
Other items	976	997	295	21	(702)
Foreign currency translation	(206)	(167)	60	—	—
	611	830	356		
Deferred tax liabilities					
Differences in depreciation	(419)	(425)	(360)	(6)	65
Undistributed profit	(9,678)	(8,684)	(7,423)	994	1,261
Other items	(482)	(467)	(348)	15	119
Revaluation of investment property	(4,783)	—	—	—	—
Reversal of withholding tax upon distributed profits	1,726	—	—	—	—
Foreign currency translation	82	7	45	—	—
	(13,554)	(9,569)	(8,086)	1,183	744

Unrecognised tax losses

The Group has tax losses of approximately US\$188,517,000 (2017: US\$162,136,000) that are available for offset against future taxable profits of the companies. No deferred tax assets will be recognised if the future profit streams are unpredictable. The use of the tax losses is subject to the agreement of the tax authorities and compliance with certain provision of the tax legislation of the respective countries in which the companies operate.

Notes to the Financial Statements
For the financial year ended 31 December 2018

12. Fixed assets

Group	Freehold and long leasehold land US\$'000	Short leasehold land US\$'000	Buildings US\$'000	Motor vessels US\$'000	Machinery, equipment and motor vehicles US\$'000	Assets under construction US\$'000	Total US\$'000
Cost							
At 1 January 2016	5,690	82,183	420,868	4,725,032	491,985	83,514	5,809,272
Additions	922	9,968	1,220	14,423	29,758	129,922	186,213
Reclassifications	-	-	5,855	-	12,208	(18,063)	-
Disposals	-	-	(632)	(35,820)	(40,753)	-	(77,205)
Fixed assets written off	-	-	-	(49,033)	(2,163)	-	(51,196)
Reinstatement	-	-	-	-	165	-	165
Acquisition of subsidiaries (Note 15)	-	-	566	-	2,301	188	3,055
Transfer to intangible assets (Note 14)	-	-	-	-	(132)	-	(132)
Currency realignment	(1,194)	(885)	(10,055)	(482)	(2,128)	(1,392)	(16,136)
At 31 December 2016 and 1 January 2017	5,418	91,266	417,822	4,654,120	491,241	194,169	5,854,036
Additions	1,011	22,017	1,891	47,050	23,837	344,650	440,456
Reclassifications	-	-	3,182	283,352	21,887	(308,421)	-
Disposals	-	(1,665)	(8,590)	(181,204)	(23,213)	-	(214,672)
Transfer to assets held for sale (Note 23)	-	(2,014)	(2,147)	-	(48)	-	(4,209)
Fixed assets written off	-	-	-	(5,426)	(5,767)	-	(11,193)
Acquisition of subsidiaries (Note 15)	-	-	11,665	-	1,885	281	13,831
Disposal of subsidiary (Note 15)	-	-	-	(493)	(5)	-	(498)
Transfer from/(to) intangible assets (Note 14)	-	-	1,217	-	(94)	(17,569)	(16,446)
Currency realignment	191	756	10,723	1,581	1,540	(34)	14,757
At 31 December 2017 and 1 January 2018	6,620	110,360	435,763	4,798,980	511,263	213,076	6,076,062
Additions	-	-	1,521	40,966	138,067	565,767	746,321
Reclassifications	-	5,945	38,204	634,638	19,554	(698,341)	-
Disposals	-	-	(2,247)	(147,394)	(66,626)	(503)	(216,770)
Transfer to investment property (Note 13)	-	(1,532)	(8,018)	-	-	-	(9,550)
Fixed assets written off	-	-	(61)	(9,097)	(6,242)	-	(15,400)
Reinstatement	-	-	-	-	18	-	18
Acquisition of subsidiaries (Note 15)	-	-	520	-	444	-	964
Disposal of subsidiary (Note 15)	-	(6,116)	(17,279)	-	(24,762)	-	(48,157)
Transfer to intangible assets (Note 14)	-	-	-	-	(25)	-	(25)
Currency realignment	(200)	(747)	(9,844)	(859)	(1,903)	(212)	(13,765)
At 31 December 2018	6,420	107,910	438,559	5,317,234	569,788	79,787	6,519,698

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

12. Fixed assets (cont'd)

Group	Freehold and long leasehold land US\$'000	Short leasehold land US\$'000	Buildings US\$'000	Motor vessels US\$'000	Machinery, equipment and motor vehicles US\$'000	Assets under construction US\$'000	Total US\$'000
Accumulated depreciation and impairment loss							
At 1 January 2016	-	10,938	66,247	1,124,452	241,096	-	1,442,733
Depreciation charge for the year	-	1,828	18,531	167,507	58,212	-	246,078
Disposals	-	-	(239)	(21,020)	(25,183)	-	(46,442)
Fixed assets written off	-	-	(3)	(49,033)	(1,461)	-	(50,497)
Reinstatement	-	-	-	-	75	-	75
Currency realignment	-	(41)	(1,544)	(81)	(1,616)	-	(3,282)
At 31 December 2016 and 1 January 2017	-	12,725	82,992	1,221,825	271,123	-	1,588,665
Depreciation charge for the year	-	1,994	18,154	170,216	49,185	-	239,549
Disposals	-	(307)	(1,234)	(48,865)	(19,885)	-	(70,291)
Fixed assets written off	-	-	-	(4,947)	(4,995)	-	(9,942)
Transfer from intangible assets (Note 14)	-	-	536	-	-	-	536
Disposal of subsidiary (Note 15)	-	-	-	-	(4)	-	(4)
Transfer to assets held for sale (Note 23)	-	(483)	(315)	-	(6)	-	(804)
Currency realignment	-	151	1,626	168	1,073	-	3,018
At 31 December 2017 and 1 January 2018	-	14,080	101,759	1,338,397	296,491	-	1,750,727
Depreciation charge for the year	-	2,393	18,355	192,908	19,417	-	233,073
Disposals	-	-	(1,386)	(41,230)	(33,326)	-	(75,942)
Fixed assets written off	-	-	(9)	(9,087)	(4,186)	-	(13,282)
Reinstatement	-	-	-	-	9	-	9
Transfer to intangible assets (Note 14)	-	-	-	-	(22)	-	(22)
Disposal of subsidiary (Note 15)	-	(1,352)	(5,678)	-	(13,767)	-	(20,797)
Transfer to investment property (Note 13)	-	(703)	(7,076)	-	-	-	(7,779)
Currency realignment	-	(60)	(1,687)	(123)	(1,121)	-	(2,991)
At 31 December 2018	-	14,358	104,278	1,480,865	263,495	-	1,862,996
Net carrying amount							
At 31 December 2018	6,420	93,552	334,281	3,836,369	306,293	79,787	4,656,702
At 31 December 2017	6,620	96,280	334,004	3,460,583	214,772	213,076	4,325,335
At 1 January 2017	5,418	78,541	334,830	3,432,295	220,118	194,169	4,265,371

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

12. Fixed assets (cont'd)

Company	Buildings US\$'000	Motor vessels US\$'000	Machinery, equipment and motor vehicles US\$'000	Assets under construction US\$'000	Total US\$'000
Cost					
At 1 January 2016	3,168	2,632,540	102,060	40,903	2,778,671
Additions	—	6,988	10,709	116,974	134,671
Transfer to assets held for sale (Note 23)	—	(10,552)	—	—	(10,552)
Reinstatement	—	—	35	—	35
Disposals	—	(56,418)	(7,920)	—	(64,338)
Fixed assets written off	—	—	(568)	—	(568)
At 31 December 2016 and 1 January 2017	3,168	2,572,558	104,316	157,877	2,837,919
Additions	—	123,289	18,346	272,960	414,595
Transfer to intangible asset (Note 14)	—	—	—	(17,569)	(17,569)
Disposals	—	(168,808)	(2,665)	—	(171,473)
Fixed assets written off	—	(5,426)	(505)	—	(5,931)
Reclassifications	—	283,352	5	(283,357)	—
At 31 December 2017 and 1 January 2018	3,168	2,804,965	119,497	129,911	3,057,541
Additions	—	208,006	117,078	534,918	860,002
Disposals	—	(13,220)	(37,995)	—	(51,215)
Fixed assets written off	—	(6,640)	(1,701)	—	(8,341)
Reclassifications	—	633,423	—	(633,423)	—
At 31 December 2018	3,168	3,626,534	196,879	31,406	3,857,987
Accumulated depreciation and impairment loss					
At 1 January 2016	1,975	698,558	68,160	—	768,693
Depreciation charge for the year	127	92,603	10,869	—	103,599
Transfer to assets held for sale (Note 23)	—	(3,921)	—	—	(3,921)
Reinstatement	—	—	35	—	35
Disposals	—	(41,009)	(7,667)	—	(48,676)
Fixed assets written off	—	—	(486)	—	(486)
At 31 December 2016 and 1 January 2017	2,102	746,231	70,911	—	819,244
Depreciation charge for the year	127	95,822	9,247	—	105,196
Disposals	—	(43,345)	(2,584)	—	(45,929)
Fixed assets written off	—	(4,947)	(467)	—	(5,414)
At 31 December 2017 and 1 January 2018	2,229	793,761	77,107	—	873,097
Depreciation charge for the year	127	129,736	4,616	—	134,479
Disposals	—	(8,146)	(22,126)	—	(30,272)
Fixed assets written off	—	(6,630)	(461)	—	(7,091)
At 31 December 2018	2,356	908,721	59,136	—	970,213
Net carrying amount					
At 31 December 2018	812	2,717,813	137,743	31,406	2,887,774
At 31 December 2017	939	2,011,204	42,390	129,911	2,184,444
At 1 January 2017	1,066	1,826,327	33,405	157,877	2,018,675

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

12. Fixed assets (cont'd)

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Analysis of net carrying amount:						
Motor vessels						
Owned	2,238,818	2,712,188	3,245,837	1,120,262	1,267,561	1,672,627
Leased	1,597,551	748,395	186,458	1,597,551	743,643	153,700
	3,836,369	3,460,583	3,432,295	2,717,813	2,011,204	1,826,327
Machinery, equipment and motor vehicles						
Owned	239,054	170,209	171,560	75,867	6,740	9,287
Leased	67,239	44,563	48,558	61,876	35,650	24,118
	306,293	214,772	220,118	137,743	42,390	33,405
Assets under construction						
Owned	48,381	83,165	51,866	–	–	15,574
Leased	31,406	129,911	142,303	31,406	129,911	142,303
	79,787	213,076	194,169	31,406	129,911	157,877

(i) Assets under construction

Assets under construction of the Group and the Company mainly relate to a building and motor vessels in the course of construction.

(ii) Assets held under hire purchase and finance lease

During the year, the Group has acquired fixed assets by means of hire purchase and finance lease with an aggregate cost of US\$542,945,000 (31 December 2017: US\$269,924,000; 1 January 2017: US\$119,639,000). The cash outflow on acquisition of fixed assets amounted to US\$203,376,000 (31 December 2017: US\$170,532,000; 1 January 2017: US\$66,574,000).

(iii) Assets pledged as security

Leased assets are pledged as security for the related finance lease liabilities (Note 32). As for owned assets, the Group and the Company has certain assets with carrying amounts of US\$2,203,986,000 (31 December 2017: US\$2,788,754,000; 1 January 2017: US\$3,119,049,000) and US\$1,185,754,000 (31 December 2017: US\$1,229,144,000; 1 January 2017: US\$1,564,228,000) respectively, being mortgaged to secure the Group's bank loans.

(iv) Capitalisation of borrowing costs

The Group's fixed assets include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of motor vessels. During the year, the borrowing costs capitalised as fixed assets amounted to US\$932,000 (31 December 2017: US\$3,254,000; 1 January 2017: US\$1,506,000). The rates used to determine the amount of borrowing costs eligible for capitalisation was 5.4% p.a. to 5.43% p.a. (31 December 2017: 5.4% p.a. to 5.43% p.a.; 1 January 2017: 3.6% p.a. to 6.0% p.a.).

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

13. Investment property

	Group US\$'000
Fair value	
At 1 January 2018	—
Transfer from fixed assets (Note 12)	1,771
Gain from fair value adjustments	16,297
At 31 December 2018	18,068

During the year ended 31 December 2018, one of the Group's subsidiary leased out a formerly self-occupied industrial unit located in the People's Republic of China ("PRC") and reclassified such unit as an investment property. The property was previously classified as short leasehold land for land portion and buildings for building portion under fixed assets. The carrying value of the land and building portion on the date of reclassification amounted to US\$829,000 and US\$942,000 respectively and the Group recognised a fair value gain of US\$16,297,000 and the resulting tax effect of US\$4,783,000 on the date of reclassification. The fair value gain net of tax amounting to US\$4,735,000, representing Group share of US\$11,514,000, was recognised in property revaluation reserve in consolidated statement of changes in equity.

The Group's subsidiary property interest held under operating lease to earn rental is measured using the fair value model and is classified and amounted for as investment property.

Valuation of investment property

Investment property of the Group's subsidiary is stated at fair value, which has been determined based on valuation report. The revaluation was performed by an independent valuer with a recognised and relevant professional qualification.

The basis of valuation was determined by using income capitalisation approach. Details of valuation techniques and inputs used are disclosed in Note 48(a).

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

14. Intangible assets

Group	Patents US\$'000	Goodwill US\$'000	Software US\$'000	Others US\$'000	Total US\$'000
Cost					
At 1 January 2016	4,583	15,652	—	787	21,022
Additions	—	—	—	578	578
Disposals	—	—	—	(27)	(27)
Transfer from fixed assets (Note 12)	—	—	—	132	132
Written off	—	—	—	(3)	(3)
Currency realignment	—	—	—	(38)	(38)
At 31 December 2016 and 1 January 2017	4,583	15,652	—	1,429	21,664
Additions	—	—	6,094	225	6,319
Acquisition of subsidiaries (Note 15)	—	539	—	8	547
Disposals	—	—	—	(28)	(28)
Transfer from/(to) fixed assets (Note 12)	—	—	17,569	(1,123)	16,446
Reclassification	—	—	504	(504)	—
Currency realignment	—	15	—	73	88
At 31 December 2017 and 1 January 2018	4,583	16,206	24,167	80	45,036
Additions	—	—	573	2	575
Acquisition of subsidiaries (Note 15)	—	60	23	—	83
Disposals	—	—	—	(2)	(2)
Written off	—	—	(6)	(9)	(15)
Transfer from fixed assets (Note 12)	—	—	25	—	25
Currency realignment	—	(520)	(27)	1	(546)
At 31 December 2018	4,583	15,746	24,755	72	45,156

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

14. Intangible assets (cont'd)

Group	Patents US\$'000	Goodwill US\$'000	Software US\$'000	Others US\$'000	Total US\$'000
Accumulated depreciation and impairment loss					
At 1 January 2016	4,583	880	—	130	5,593
Amortisation during the year	—	—	—	209	209
Disposals	—	—	—	(27)	(27)
Impairment loss	—	2,657	—	—	2,657
Currency realignment	—	—	—	(15)	(15)
At 31 December 2016 and 1 January 2017	4,583	3,537	—	297	8,417
Amortisation during the year	—	—	1,311	277	1,588
Disposal	—	—	—	(28)	(28)
Transfer to fixed assets (Note 12)	—	—	—	(536)	(536)
Reclassification	—	—	14	(14)	—
Currency realignment	—	—	—	19	19
At 31 December 2017 and 1 January 2018	4,583	3,537	1,325	15	9,460
Amortisation during the year	—	—	2,371	1	2,372
Disposal	—	—	—	(2)	(2)
Written off	—	—	(6)	(9)	(15)
Transfer from fixed assets (Note 12)	—	—	22	—	22
Currency realignment	—	—	—	3	3
At 31 December 2018	4,583	3,537	3,712	8	11,840
Net carrying amount					
At 31 December 2018	—	12,209	21,043	64	33,316
At 31 December 2017	—	12,669	22,842	65	35,576
At 1 January 2017	—	12,115	—	1,132	13,247
Average remaining amortisation years 2018	—	—	8	1	
Average remaining amortisation years 31 December 2017	—	—	9	2	
Average remaining amortisation years 1 January 2017	—	—	—	3	

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

14. Intangible assets (cont'd)

Company	Software US\$'000
Cost	
At 1 January 2017	—
Additions	6,094
Transfer from fixed assets - Assets under construction (Note 12)	17,569
At 31 December 2017, 1 January 2018 and 31 December 2018	23,663
Accumulated amortisation and impairment loss	
At 1 January 2017	—
Amortisation during the year	1,311
At 31 December 2017 and 1 January 2018	1,311
Amortisation during the year	2,366
At 31 December 2018	3,677
Net carrying amount	
At 31 December 2018	19,986
At 31 December 2017	22,352
At 1 January 2017	—
Average remaining amortisation years 2018	8
Average remaining amortisation years 2017	9

Impairment test for goodwill

Goodwill is allocated to the Group's CGU identified within the operating segments.

A segment-level summary of the goodwill allocation is presented below:

	Group		
	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000
Shipping	8,620	9,080	8,526
Manufacturing	3,589	3,589	3,589
Net carrying amount	12,209	12,669	12,115

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

14. Intangible assets (cont'd)

Shipping and manufacturing

The recoverable amount of the shipping and manufacturing business are determined based on value-in-use calculations. These calculations are discounted cash flow projections based on financial budgets approved by management covering a five-year period and terminal value. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below:

	Shipping segment			Manufacturing segment		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
Growth rates	2%	2%	3%	3%	3%	3%
Weighted average cost of capital ("WACC")	7%	7%	6%	10%	10%	10%

Key assumptions used for value in use calculations include discount rates, growth rates and forecasted selling prices and direct costs, which are based on industry growth forecasts, current market arrangement and past practices, and expectation of future changes in the market.

Sensitivity to changes in assumptions

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

15. Subsidiaries

	Company		
	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000
Quoted shares, at cost	65,310	65,310	65,310
Unquoted shares, at cost	383,458	428,117	439,683
Less: Impairment loss			
At 1 January	(13,433)	(9,737)	(9,736)
Write back/(allowance) during the year (Note 7)	6,146	(5,713)	(1)
Written off/disposal	7,285	937	—
Reclassification to associates and joint ventures*	—	1,080	—
At 31 December	(2)	(13,433)	(9,737)
	448,766	479,994	495,256
Amounts due from subsidiaries	—	469,971	472,258
	448,766	949,965	967,514

* In 2017, the Company disposed 31% equity interest in a fully impaired subsidiary. Subsequent to the disposal, the subsidiary was reclassified to associate.

The market value of the quoted shares as at 31 December 2018 is US\$133,278,000 (31 December 2017: US\$203,535,000; 1 January 2017: US\$107,666,000).

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2018

15. Subsidiaries (cont'd)

The amounts due from subsidiaries are unsecured and to be settled in cash. The amounts consist both interest bearing and non-interest bearing and are not expected to be repaid within the next 12 months. They are measured at cost because its fair value cannot be measured reliably.

The entirety of the shares held by the Company in Singamas Container Holdings Limited are pledged or charged as security for the Company's loans. Under the terms and conditions of the loans, the Company is prohibited from disposing of the investments or subjecting them to further charges without furnishing a replacement security of similar kind.

Interest in subsidiary with material non-controlling interest (NCI)

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit allocated to NCI during the reporting period US\$'000	Accumulated NCI at the end of reporting period US\$'000	Dividends paid to NCI US\$'000
<u>31 December 2018:</u> Singamas Container Holdings Limited ("SCHL")	Hong Kong	58.88%	43,207	455,672	4,535
<u>31 December 2017:</u> Singamas Container Holdings Limited ("SCHL")	Hong Kong	58.88%	25,577	412,465	2,737

The Group is assessed to have control over SCHL through majority representation on both the board and management of SCHL, which has given it the power to govern the financial and operating activities of SCHL, so as to obtain economic benefits from the investment.

Summarised financial information about subsidiary with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany elimination of subsidiary with material non-controlling interests is as follows:

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

15. Subsidiaries (cont'd)

Summarised financial information about subsidiary with material NCI (cont'd)

Summarised balance sheet

	SCHL		
	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000
Current			
- Assets	823,403	1,058,066	712,266
- Liabilities	(480,777)	(702,473)	(549,647)
Net current assets	342,626	355,593	162,619
Non-current			
- Assets	576,580	576,389	513,361
- Liabilities	(223,427)	(311,389)	(98,160)
Net non-current assets	353,153	265,000	415,201
Net assets	695,779	620,593	577,820

Summarised statement of comprehensive income

	SCHL		
	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000
Profit/(loss) for the year	73,382	43,440	(61,920)
Other comprehensive income	5,162	4,601	(2,512)
Total comprehensive income	78,544	48,041	(64,432)

Other summarised information

	SCHL		
	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000
Net cash flows (used in)/generated from operations	(52,942)	53,540	(49,116)

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

15. Subsidiaries (cont'd)

2018

(a) Acquisition of subsidiaries

During the year, the Group acquired and obtained control of the following subsidiaries:

Name of subsidiaries	Date of acquisition	Additional equity interest acquired	Consideration US\$'000
Transam (Fiji) Limited	1 Jan 2018	73%	104
PIL Benin	30 Jun 2018	51%	416
Lanzhou New Area Anding Trading Co., Ltd	30 Apr 2018	70%	43
			563

The fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition summarised below:

	US\$'000
Fixed assets (Note 12)	964
Intangible assets (Note 14)	23
Trade debtors	1,864
Other debtors	812
Deferred tax assets	31
Cash at bank and on hand	2,851
Total assets	6,545
Trade creditors	(3,027)
Other creditors	(684)
Total liabilities	(3,711)
Total identifiable net assets at fair value	2,834
Non-controlling interests measured at the non-controlling interests' proportionate share of net identifiable assets	(766)
Goodwill (Note 14)	60
Gain on bargain purchase (Note 4)	(1,565)
	563

As the consideration paid by the Group was lower than the net tangible asset value of Transam Fiji, this acquisition resulted in a bargain purchase gain of approximately \$1.57 million, which have been recognised in the "other income" line item in the Group's profit and loss for the year ended 31 December 2018.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

15. Subsidiaries (cont'd)

2018 (cont'd)

(a) *Acquisition of subsidiaries (cont'd)*

<u>Consideration transferred for the acquisition of subsidiaries</u>	US\$'000
Cash paid	563
Fair value of equity interest held by the Group immediately before acquisition	—
	563
 <u>Effect of the acquisition of subsidiaries on cash flow</u>	 US\$'000
Cash and cash equivalents of subsidiaries acquired	2,851
Less: Total consideration	(563)
Net cash inflow on acquisition of subsidiaries	2,288

If the acquisition of the above subsidiaries had occurred on 1 January 2018, the Group's turnover would have been US\$4,490,972,000 and the operating loss for the year would have been US\$208,292,000.

(b) *Disposal of subsidiaries*

During the year, the Group disposed of the following significant subsidiaries:

Name of subsidiaries	Equity interest disposed	Consideration US\$'000
Mariana Shipping Japan Co., Ltd	51%	141
PIL Logistics (Thailand) Ltd	49%	10
Hui Zhou Pacific Container Co., Ltd	100%	58,440
		58,591

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

15. Subsidiaries (cont'd)

2018 (cont'd)

(b) *Disposal of subsidiaries (cont'd)*

The value of assets and liabilities of the subsidiaries at the date of disposal were as follows:

	US\$'000
Fixed assets (Note 12)	27,360
Assets held for sale (Note 23)	3,380
Stocks	4,777
Trade and other debtors	174
Cash at bank and on hand	11,407
Total assets	47,098
Trade and other creditors	(15,219)
Provision for taxation	(4)
Loans	(5,579)
Total liabilities	(20,802)
Carrying value of net assets	26,296
Non-controlling interests	(153)
Net assets derecognised	26,143
<u>Gain on disposal of subsidiaries</u>	US\$'000
Consideration received and receivable	107,244
Retrenchment cost and other expenses attributable to the disposal	(15,500)
Net assets derecognised	(26,143)
Impairment on net assets of liquidated subsidiaries	(7,285)
Reclassification of currency translation reserve	(49)
Reclassification of capital reserve	10
Gain on disposal	58,277
<u>Effect of the disposal of subsidiaries on cash flow</u>	US\$'000
Total consideration received	58,591
Less: Retrenchment cost and other expenses attributable to the disposal	(15,500)
Less: Cash and cash equivalents of subsidiaries disposed	(11,407)
Net cash inflow on disposal of subsidiaries	31,684

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

15. Subsidiaries (cont'd)

2018 (cont'd)

(c) Acquisition of non-controlling interests

In 2018, the Group acquired additional equity interest in subsidiaries from its non-controlling interest for a cash consideration of US\$9,861,000. The aggregate net assets carrying value at acquisition was US\$86,632,000 and the carrying value of the additional equity interest acquired by the Group was US\$8,756,000. The difference of US\$1,105,000 between the consideration and the carrying value of the additional equity interest acquired has been recognised in "Other reserve" within equity.

2017

(a) Acquisition of subsidiaries

In 2017, the Group acquired and obtained control of the following subsidiaries:

Name of subsidiaries	Date of acquisition	Additional equity interest acquired	Consideration US\$'000
Wailekutu Investment Pte Ltd	16 Mar 2017	65%	3
William & Gosling Limited	31 Oct 2017	59%	11,317
			<u>11,320</u>

The fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition summarised below:

	US\$'000
Fixed assets (Note 12)	13,831
Intangible assets (Note 14)	8
Stocks	430
Trade debtors	5,035
Other debtors	1,590
Cash at bank and on hand	2,541
Total assets	<u>23,435</u>
Loans	(1,345)
Trade creditors	(2,912)
Other creditors	(547)
Total liabilities	<u>(4,804)</u>
Total identifiable net assets at fair value	<u>18,631</u>
Non-controlling interests of sub-group	—
Non-controlling interests measured at the non-controlling interests' proportionate share of net identifiable assets	(7,850)
Goodwill (Note 14)	539
	<u>11,320</u>

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2018

15. Subsidiaries (cont'd)

2017 (cont'd)

(a) *Acquisition of subsidiaries (cont'd)*

Consideration transferred for the acquisition of subsidiaries

US\$'000

Cash paid

11,320

Fair value of equity interest held by the Group immediately before acquisition

—

11,320

Effect of the acquisition of subsidiaries on cash flow

US\$'000

Cash and cash equivalents of subsidiaries acquired

2,541

Less: Total consideration

(11,320)

Net cash outflow on acquisition of subsidiaries

(8,779)

If the acquisition of the above subsidiaries had occurred on 1 January 2017, the Group's turnover would have been US\$4,052,331,000 and the operating profit for the year would have been US\$121,982,000.

(b) *Disposal of subsidiary*

In 2017, the Group disposed of the following significant subsidiary:

Name of subsidiary	Equity interest disposed	Consideration US\$'000
PT Pilindo Megah Selatan	31%	—

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

15. Subsidiaries (cont'd)

2017 (cont'd)

(b) *Disposal of subsidiary (cont'd)*

The value of assets and liabilities of the subsidiary at the date of disposal were as follows:

	US\$'000
Fixed assets (Note 12)	494
Trade and other debtors	869
Cash at bank and on hand	500
Total assets	1,863
Trade and other creditors	(954)
Provision for taxation	(220)
Loans	(264)
Total liabilities	(1,438)
Carrying value of net assets	425
Non-controlling interests	(823)
Realisation of foreign currency translation reserve upon disposal	(97)
Net assets derecognised	(495)
<u>Effect of the disposal of subsidiary on cash flow</u>	US\$'000
Total consideration	—
Less: Cash and cash equivalents of subsidiary disposed	(500)
Net cash outflow on disposal of subsidiary	(500)

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

15. Subsidiaries (cont'd)

2016

(a) Acquisition of subsidiaries

In 2016, the Group acquired and obtained control of the following subsidiaries:

Name of subsidiary	Date of acquisition	Additional equity interest acquired	Consideration US\$'000
Qidong Singamas Offshore Equipment Co Ltd	1 Jan 2016	50%	157
Taicang Modex Energy Engineering Ltd	1 Jan 2016	100%	—
Container Repairs and Sales Limited	25 Jan 2016	50%	45

The fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition summarised below:

	US\$'000
Fixed assets (Note 12)	3,055
Stocks	4,141
Trade debtors	1,436
Prepayment	1,101
Other debtors	161
Cash at bank and on hand	2,860
Total assets	12,754
Trade creditors	(828)
Other creditors	(10,741)
Other long-term creditors	(758)
Total liabilities	(12,327)
Total identifiable net assets at fair value	427
Gain on bargain purchase	(67)
	360

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

15. Subsidiaries (cont'd)

2016 (cont'd)

(a) *Acquisition of subsidiaries (cont'd)*

<u>Consideration transferred for the acquisition of subsidiaries</u>	US\$'000
Cash paid	202
Fair value of equity interest held by the Group immediately before acquisition	158
	360
<u>Effect of the acquisition of subsidiaries on cash flow</u>	US\$'000
Cash and cash equivalents of subsidiary acquired	2,860
Less: Total consideration	(202)
Net cash inflow on acquisition of subsidiaries	2,658

From the acquisition date, the above subsidiaries have contributed US\$7,777,000 of revenue and US\$2,619,000 to the Group's loss for the year 2016.

(b) *Disposal of subsidiary*

In 2016, the Group disposed of the following subsidiary:

Name of subsidiary	Equity interest disposed	Consideration US\$'000
Transam Samoa Holdings Limited	51%	—

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

15. Subsidiaries (cont'd)

2016 (cont'd)

(b) *Disposal of subsidiary (cont'd)*

The value of assets and liabilities of the subsidiary at the date of disposal were as follows:

	US\$'000
Other investment	28
Other debtors	12
Cash at bank and on hand	6
Total assets	46
Other creditors and accruals	(1)
Total liabilities	(1)
Total identifiable net assets	45
Non-controlling interests	(22)
Realisation of currency translation reserve upon disposal	23
Net assets derecognised	46
<u>Effect of the disposal of subsidiary on cash flow</u>	
	US\$'000
Total consideration	—
Less: Cash and cash equivalents of subsidiary disposed	(6)
Net cash outflow on disposal of subsidiary	(6)

(c) *Acquisition of non-controlling interests*

In 2016, the Group acquired additional equity interest in subsidiaries from its non-controlling interest for a cash consideration of US\$3,880,000. The aggregate net assets carrying value at acquisition was US\$42,670,000 and the carrying value of the additional equity interest acquired by the Group was US\$3,881,000. The difference of US\$1,000 between the consideration and the carrying value of the additional equity interest acquired has been recognised in "Other reserve" within equity.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

16. Associates and joint ventures

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Unquoted shares	112,771	100,410	103,104	36,244	36,693	35,613
Less: Impairment loss	(4,992)	(5,105)	(4,900)	(4,967)	(4,967)	(4,700)
	107,779	95,305	98,204	31,277	31,726	30,913
Share of post-acquisition reserves	17,579	22,133	8,767	–	–	–
Long-term loans to associates and joint ventures	18,495	16,126	11,146	13,075	13,821	8,828
Less: Allowance for impairment	(212)	(257)	(222)	–	–	–
	18,283	15,869	10,924	13,075	13,821	8,828
	143,641	133,307	117,895	44,352	45,547	39,741

The loans to associates and joint ventures are unsecured, interest bearing, to be settled in cash and is not expected to be repaid within the next 12 months.

The summarised financial information of the associates is as follows:

	Group		
	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000
Revenue	351,373	331,369	318,272
Net profit after income tax	24,383	12,046	375
Total assets	592,760	533,810	469,781
Total liabilities	(330,279)	(281,524)	(282,392)

There are no significant associates and joint ventures in the Group.

The Group has not recognised its share of the current year loss of US\$72,000 (31 December 2017: US\$418,000; 1 January 2017: US\$2,067,000) relating to PIL Logistics Co. Ltd (31 December 2017 and 1 January 2017: Pacific International Offshore Pte Ltd and PIL Logistics Co. Ltd) as the Group's cumulative share of losses of US\$4,964,000 (31 December 2017: US\$4,892,000; 1 January 2017: US\$4,474,000) with respect to these associates were capped at the investment amount.

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

17. Investments

a) Financial assets as at 31 December 2018

	2018	
	Group	Company
	US\$'000	US\$'000
At fair value through profit or loss		
Quoted shares and securities	745	—
Unquoted shares and investments	43,110	43,110
	43,855	43,110
At fair value through other comprehensive income		
Quoted debt securities	4,588	338
Unquoted shares and investments	31,941	9,535
	36,529	9,873
Net carrying amount		
Current	693	—
Non-current	79,691	52,983
	80,384	52,983

Financial assets at fair value through profit or loss

(i) Quoted shares and securities

Shares and securities consist of quoted shares listed on the Singapore Exchange Securities Trading Limited and Hong Kong Exchanges and Clearing Limited.

(ii) Unquoted shares and investments

The Group has elected to measure these equity investments at FVPL.

Financial assets at fair value through other comprehensive income

(i) Quoted shares and securities

These consist of shares listed on the Singapore Exchange Securities Trading Limited and Euronext Amsterdam and a fixed rate of 7.25% p.a. perpetual bonds.

The issuer of the perpetual bonds has the option to call back the bonds on every 30 June.

(ii) Unquoted shares and investments

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

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

17. Investments (cont'd)

b) Financial assets as at 31 December 2017 and 1 January 2017

	Group		Company	
	31.12.2017	1.1.2017	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current:				
Available-for-sale financial assets				
Quoted shares and securities	5,719	2,940	387	413
Unquoted shares and investments	72,084	69,687	60,374	60,374
Less: Impairment loss				
At 1 January	(1,310)	(1,286)	–	–
Currency realignment	(18)	(24)	–	–
At 31 December	(1,328)	(1,310)	–	–
	76,475	71,317	60,761	60,787
Current:				
Financial assets at fair value through profit or loss				
Quoted shares and securities	589	447	–	–
Less: Impairment loss	(78)	(78)	–	–
	511	369	–	–
Total investments	76,986	71,686	60,761	60,787

Available-for-sale financial assets

(i) Quoted shares and securities

These consist of shares listed on the Singapore Exchange Securities Trading Limited and Euronext Amsterdam and a fixed rate of 7.25% p.a. perpetual bonds.

The issuer of the perpetual bonds has the option to call back the bonds on every 30 June.

(ii) Unquoted shares and investments

Included in unquoted shares are equity investments, which are stated at cost less impairment loss.

Financial assets at fair value through profit or loss

Shares and securities consist of quoted shares listed on the Singapore Exchange Securities Trading Limited and Hong Kong Exchanges and Clearing Limited.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

18. Deferred transaction costs

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January	59,731	39,831	39,381	58,731	39,631	39,631
Additions during the financial year	1,684	21,130	–	1,655	20,335	–
Amortisation during the financial year (Note 10)	(4,643)	(1,242)	–	(4,443)	(1,235)	–
Currency realignment	–	12	–	–	–	–
	56,772	59,731	39,831	55,943	58,731	39,631
Amount to be amortised:						
Not later than one year	6,366	4,491	384	6,137	4,291	191
Later than one year	50,406	55,240	39,447	49,806	54,440	39,440
	56,772	59,731	39,831	55,943	58,731	39,631

Deferred transaction costs relate to upfront fees incurred in connection with undrawn long-term financing facilities and charter hire lease which are deferred and amortised on a straight-line basis over the tenure of the financing facilities and charter hire lease. Upon drawing down of the financing facilities, the transaction costs are reclassified to loans.

19. Prepayments

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Non-current:						
Prepaid insurance	4,125	6,791	9,664	–	–	353
Advance charter hire	–	–	–	2,308	3,227	4,145
Other prepayments	335	532	730	–	–	–
	4,460	7,323	10,394	2,308	3,227	4,498
Current:						
Prepaid insurance	5,815	6,280	7,500	3,194	2,987	3,417
Advance charter hire	1,207	261	132	919	919	919
Other prepayments	7,555	4,840	5,421	2,790	437	1,435
	14,577	11,381	13,053	6,903	4,343	5,771
Total prepayments	19,037	18,704	23,447	9,211	7,570	10,269

Prepaid insurance relates to insurance incurred in connection with long-term financing facilities entered into by certain subsidiaries. The prepaid insurance will be charged to profit or loss on a straight-line basis over the tenure of the facilities.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

20. Stocks

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Ship requisite stocks	1,022	1,035	1,033	979	1,035	1,033
Bunker fuel stocks	63,123	56,985	45,281	56,064	49,284	37,569
Lubricant stocks	8,047	—	—	7,318	—	—
Manufacturing stocks:						
- Raw materials	101,162	115,277	81,334	—	—	—
- Work-in-progress	46,534	57,982	24,614	—	—	—
- Finished goods	74,494	84,462	45,026	—	—	—
Others	1,305	2,144	2,166	638	730	691
Total stocks at lower of cost and net realisable value	295,687	317,885	199,454	64,999	51,049	39,293

21. Trade debtors

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Trade debtors	461,438	526,729	379,411	123,629	96,151	47,453
Less: Allowance for impairment	(10,707)	(9,256)	(10,534)	(6,916)	(7,065)	(7,603)
	450,731	517,473	368,877	116,713	89,086	39,850

Trade debtors are non-interest bearing and are generally on 30 to 120 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Expected credit losses

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

	Group	Company
	US\$'000	US\$'000
At 1 January 2018	(10,224)	(7,065)
(Charge)/write-back for the year (Note 7)	(866)	149
Write-off during the year	339	—
Acquisition of subsidiary	(3)	—
Currency realignment	47	—
At 31 December 2018	(10,707)	(6,916)

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

21. Trade debtors (cont'd)

Trade debtors that are past due but not impaired

Trade debtors that are past due but not impaired are substantially with parties who have good repayment history. The aging of the Group's and the Company's trade debtors that are past due but not impaired as at balance sheet date is as follows:

	Group		Company	
	31.12.2017	1.1.2017	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000
Past due 1 to 90 days	110,948	94,931	76,821	26,592
Past due 91 days to 120 days	4,146	9,093	745	3,433
Past due 121 days to one year	20,348	24,716	4,548	6,651
Past due more than one year	5,721	3,568	1,575	665
	141,163	132,308	83,689	37,341

Trade debtors that are past due and impaired

The Group's and Company's trade debtors that are impaired at the end of the reporting period and the movements of the allowance accounts are as follows:

	Group		Company	
	31.12.2017	1.1.2017	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000
Past due and individually impaired	9,256	10,534	7,065	7,603
Less: Allowance for impairment	(9,256)	(10,534)	(7,065)	(7,603)
At 31 December	—	—	—	—
Movement in allowance accounts:				
At 1 January	(10,534)		(7,603)	
Charge for the year (Note 7)	(645)		(594)	
Write-off during the year	2,127		1,132	
Acquisition of subsidiary	(122)		—	
Currency realignment	(82)		—	
	(9,256)		(7,065)	

Trade debtors that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments.

Collaterals

The Group has lien on all cargoes as long as the cargoes remain in the Group's possession. Such lien may be enforced by the Group by public auction or private treaty, without notice to the customer.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

22. Other debtors

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Marine claim receivables	2,015	1,338	1,910	1,947	1,338	1,910
Ship and office staff advances	883	594	827	732	470	658
Recoverable and deposits	152,969	163,736	118,712	2,974	4,936	8,142
	155,867	165,668	121,449	5,653	6,744	10,710
Less: Allowance for impairment	(658)	(664)	(774)	(322)	(322)	(322)
Total other debtors (current and non-current)	155,209	165,004	120,675	5,331	6,422	10,388
Less: Non-refundable deposits	(37,823)	(79,860)	(47,513)	—	—	—
Loan and receivables	117,386	85,144	73,162	5,331	6,422	10,388
Presented as:						
Non-current	—	—	4,736	—	—	—
Current	155,209	165,004	115,939	5,331	6,422	10,388
	155,209	165,004	120,675	5,331	6,422	10,388
Movement in allowance accounts:						
At 1 January	(664)	(774)		(322)	(322)	
Acquisition of subsidiaries	—	—		—	—	
Currency realignment	20	1		—	—	
(Charge)/write-back for the year (Note 7)	(14)	109		—	—	
At 31 December	(658)	(664)		(322)	(322)	

In 2017, a reversal of impairment loss of US\$109,000 was recognised in the income statements subsequent to a debt recovery assessment performed on its other debtors.

Non-refundable deposits represent advance to certain suppliers as deposits for raw material purchases.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

23. Assets held for sale

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January	3,405	—	—	—	5,000	—
Transfer from fixed assets (Note 12)	—	3,405	—	—	—	6,631
Disposal of subsidiaries (Note 15)	(3,380)	—	—	—	—	—
Disposal	(13)	—	—	—	(5,000)	—
Currency realignment	(12)	—	—	—	—	—
Impairment loss	—	—	—	—	—	(1,631)
At 31 December	—	3,405	—	—	—	5,000

On 4 May 2017, the Group's subsidiary has entered into a Memorandum of Agreement to sell short term leasehold land, building and equipment to a third party. Accordingly, they were reclassified as assets held for sale as at 31 December 2017. The transaction was completed in 2018.

In 2016, the Company has entered into a Memorandum of Agreement on 21 December 2016 to sell a motor vessel to its subsidiary. Accordingly, the motor vessel was reclassified as assets held for sale as at 31 December 2016. Following the classification, an impairment loss of US\$1,631,000 was recognised in 2016 to write-down the carrying amount of the motor vessel to the fair value less cost to sell.

24. Amounts due from holding company/related companies

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Current:						
Holding company	147,294	147,294	147,294	147,294	147,294	147,294
Current:						
Subsidiaries	—	—	—	522,531	149,779	141,457
Associates and joint ventures	24,940	30,448	21,433	2,862	11,210	6,170
Related companies	9,406	16	602	9,406	16	602
	34,346	30,464	22,035	534,799	161,005	148,229
Less: Allowance for impairment	(156)	(5)	(5)	(5)	(5)	(5)
	34,190	30,459	22,030	534,794	161,000	148,224
Non-current:						
Related companies	—	729	582	—	729	582

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

24. Amounts due from holding company/related companies (cont'd)

Expected credit losses

The movement in allowance for expected credit losses of amount due from related companies computed based on lifetime ECL is as follows:

	Group US\$'000	Company US\$'000
At 1 January 2018	(60)	(5)
Charge for the year (Note 7)	(96)	–
At 31 December 2018	(156)	(5)

Movement in allowance accounts:

	Group		Company	
	31.12.2017	1.1.2017	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January and 31 December	(5)	(5)	(5)	(5)

The amounts due from holding company, subsidiaries, associates, joint ventures and related companies (current) are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

The amounts due from related companies (non-current) are unsecured, both interest bearing and non-interest bearing and are not expected to be repaid within the next 12 months.

25. Short-term fixed deposits, secured

The short-term fixed deposits have been pledged for certain banking facilities granted to the Group and the Company, which earned interest ranging from 1% p.a. to 7% p.a. (31 December 2017: 1% p.a. to 7% p.a.; 1 January 2017: 2% p.a. to 7% p.a.).

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

26. Cash and short-term deposits

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Short-term deposits with banks	3,837	2,325	1,078	—	—	—
Cash at bank and on hand	223,363	301,890	330,814	11,528	9,683	18,586
	227,200	304,215	331,892	11,528	9,683	18,586

Cash and cash equivalents presented in the consolidated cash flow statement comprise of:

	Group		
	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000
Cash and short-term deposits	227,200	304,215	331,892

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 twelve months, depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates.

The interest earned on deposits with banks for the Group ranged from 0.85% p.a. to 6.85% p.a. (31 December 2017: 0.85% p.a. to 7.90% p.a.; 1 January 2017: 0.13% p.a. to 7.90% p.a.) respectively.

27. Trade creditors

Trade creditors are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method. Trade creditors are non-interest bearing and are normally settled on 30 to 120 days' terms.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

28. Loans

		Group			Company		
	Maturities	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000
Current							
Bank overdraft		—	—	57	—	—	—
Bank trust receipts							
- Unsecured		—	1,519	2,434	—	—	—
Revolving loans							
- Unsecured		449,368	357,746	396,449	246,050	226,000	235,000
- Secured		50,000	—	3,100	50,000	—	—
Term loans							
- Unsecured		92,044	78,044	273,501	—	—	—
Less: Unamortised deferred transaction costs		(1,575)	(1,698)	(1,257)	—	—	—
		90,469	76,346	272,244	—	—	—
- Secured		244,057	401,169	394,828	139,220	295,513	202,520
Less: Unamortised deferred transaction costs		(1,704)	(3,122)	(1,268)	(716)	(2,120)	(118)
		242,353	398,047	393,560	138,504	293,393	202,402
Non-bank loans							
- Secured		50,000	—	—	50,000	—	—
		882,190	833,658	1,067,844	484,554	519,393	437,402
Non-current							
Term loans							
- Unsecured	2020	210,640	302,684	90,728	—	—	—
Less: Unamortised deferred transaction costs		(640)	(2,211)	(214)	—	—	—
		210,000	300,473	90,514	—	—	—
- Secured	2020-2032	736,094	914,838	1,140,908	461,846	488,347	672,814
Less: Unamortised deferred transaction costs		(2,437)	(3,556)	(4,675)	(832)	(736)	(853)
		733,657	911,282	1,136,233	461,014	487,611	671,961
Non-bank loans							
- Secured		130,000	—	—	130,000	—	—
		1,073,657	1,211,755	1,226,747	591,014	487,611	671,961

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

28. Loans (cont'd)

Deferred transaction costs

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January	(10,587)	(7,414)	(7,414)	(2,856)	(971)	(971)
Additions during the financial year	(1,152)	(7,415)	–	(1,135)	(2,700)	–
Amortisation during the financial year (Note 10)	5,383	4,242	–	2,443	815	–
Balance at 31 December	(6,356)	(10,587)	(7,414)	(1,548)	(2,856)	(971)
Amount to be amortised:						
Not later than one year	(3,279)	(4,820)	(2,525)	(716)	(2,120)	(118)
Later than one year	(3,077)	(5,767)	(4,889)	(832)	(736)	(853)
	(6,356)	(10,587)	(7,414)	(1,548)	(2,856)	(971)

In 2016, the bank overdraft bear interest at 7.47% p.a.

The unsecured revolving loans bearing interest ranging from 2.7% p.a. to 8.7% p.a. (31 December 2017: 2.09% p.a. to 5.4% p.a.; 1 January 2017: 1.3% p.a. to 4.8% p.a.).

Term loans are secured by way of mortgages on certain vessels and properties (Note 12) of the Group and the Company. These term loans bear interest rates, ranging from 2.03% p.a. to 10.9% p.a. (31 December 2017: 1.1% p.a. to 10.3% p.a.; 1 January 2017: 0.7% p.a. to 12.7% p.a.). Unsecured term loans bear interest rates ranging from 3.97% p.a. to 4.21% p.a. (31 December 2017: 2.38% p.a. to 3.67% p.a.; 1 January 2017: 1.57% p.a. to 2.67% p.a.)

The interest rates of these loans are repriced at intervals of one to six months.

Non-bank loans are secured by the shares held by the Company in a subsidiary (Note 15) and certain vessels (Note 12) of the Group. Non-bank loans interest rates range from 7% p.a. to 8.5% p.a. (31 December 2017 and 1 January 2017: Nil)

In 2016, the Group's subsidiary was unable to meet the requirement to maintain interest coverage ratio for a term loan of US\$210 million. The entire amount of this term loan was classified as current liabilities as at 1 January 2017. Subsequent to the financial year, a waiver letter has been received by the subsidiary, and the subsidiary has informed the lenders and commenced refinancing of this facility with another syndication loan, and it has been refinanced successfully on 24 May 2017.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

28. Loans (cont'd)

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

	Non-cash changes						2018 US\$'000
	2017 US\$'000	Cash flows US\$'000	Acquisition US\$'000	Foreign exchange movement US\$'000	Accretion of interests US\$'000	Others US\$'000	
Bank trust receipts	1,519	(1,519)	—	—	—	—	—
Revolving loans	357,746	117,750	—	3,872	—	20,000	499,368
Term loans							
- current	474,393	(523,146)	—	(3,824)	5,383	380,016	332,822
- non-current	1,211,755	131,918	—	—	—	(400,016)	943,657
Non-bank loans							
- current	—	50,000	—	—	—	—	50,000
- non-current	—	130,000	—	—	—	—	130,000
Total	2,045,413	(94,997)	—	48	5,383	—	1,955,847

	Non-cash changes						2017 US\$'000
	1.1.2017 US\$'000	Cash flows US\$'000	Acquisition US\$'000	Foreign exchange movement US\$'000	Accretion of interests US\$'000	Others US\$'000	
Bank trust receipts	2,434	(915)	—	—	—	—	1,519
Revolving loans	399,549	(43,120)	—	1,317	—	—	357,746
Term loans							
- current	665,804	(809,145)	1,345	4,417	4,242	607,730	474,393
- non-current	1,226,747	592,738	—	—	—	(607,730)	1,211,755
Bank overdraft	57	(57)	—	—	—	—	—
Total	2,294,591	(260,499)	1,345	5,734	4,242	—	2,045,413

The "Others" column relates to reclassification of non-current portion of loans due to passage of time.

29. Other creditors and accruals

	Group			Company		
	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000
Other creditors and accruals	206,459	179,648	115,174	71,555	45,616	23,810
Loan from directors	8,352	8,466	6,661	8,352	8,466	6,661
	214,811	188,114	121,835	79,907	54,082	30,471

Other creditors are non-interest bearing and are normally settled on 30 to 90 days' terms.

Loan from directors are interest bearing and set at 2.5% to 3.2% (31 December 2017: 1.85% to 2.40%; 1 January 2017: 1.85%) per annum.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

30. Amounts due to related companies

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Current:						
Subsidiaries	—	—	—	489,652	459,225	390,992
Associates and joint ventures	99,041	65,834	33,817	88,459	61,427	30,832
Related companies	162,091	1,751	749	162,030	1,727	728
Less: Unamortised deferred transaction costs	(79)	(214)	(212)	(79)	(214)	(212)
	261,053	67,371	34,354	740,062	522,165	422,340
Non-current:						
Related company	20,448	182,744	152,017	20,448	182,744	152,017
Less: Unamortised deferred transaction costs	—	(79)	(290)	—	(79)	(290)
	20,448	182,665	151,727	20,448	182,665	151,727

Deferred transaction costs

	Group and Company		
	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000
Balance at 1 January	(293)	(502)	(502)
Amortisation during the financial year (Note 10)	214	209	—
	(79)	(293)	(502)
Amount to be amortised:			
Not later than one year	(79)	(214)	(212)
Later than one year	—	(79)	(290)
	(79)	(293)	(502)

The amounts due to associates and related companies (current) are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

The amounts due to subsidiaries are unsecured, repayable on demand and to be settled in cash. The amounts consist of both non-interest bearing and interest bearing at nil % p.a. (31 December 2017: 6.0% p.a.; 1 January 2017: 4.5% to 6.0% p.a.). The interest-bearing portion amounted to US\$ nil (31 December 2017: US\$1,500,000; 1 January 2017: US\$3,671,000).

The amount due to related company (non-current) is unsecured, not expected to be repaid within the next 12 months and interest bearing, ranging from 2.77% p.a. to 3.77% p.a. (31 December 2017: 2.29% p.a. to 3.77% p.a.; 1 January 2017: 2.08% p.a. to 3.54% p.a.).

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2018

31. Notes

Issued by the Company

The total facility drawn under the S\$1,000,000,000 Multicurrency Medium Term Note Programme as at 31 December 2018 is S\$60,000,000 (31 December 2017: S\$157,000,000; 1 January 2017: S\$430,000,000), consisting of:

		Company		
	Note	2018 S\$'000	31.12.2017 S\$'000	1.1.2017 S\$'000
<u>Listed</u>				
Notes 2017 5.9%	(a)	—	—	300,000
Notes 2018 7.25%	(b)	—	97,000	130,000
Notes 2020 8.5%	(c)	60,000	60,000	—
		60,000	157,000	430,000
<u>Non-listed</u>				
	Note	US\$'000	US\$'000	US\$'000
Notes 2019 9%	(d)	80,000	—	—

- (a) S\$300,000,000 3-Year Fixed Rate Notes Due 2017 ("Notes 2017"). The S\$300 million Notes matured on 17 July 2017 and bear an interest rate of 5.9% per annum payable semi-annually. The S\$300 million Notes have been redeemed in full on 17 July 2017.
- (b) S\$130,000,000 3-Year Fixed Rate Notes Due 2018 ("Notes 2018"), which was issued by the Company on 16 November 2015. During the year, S\$33 million of the S\$130 million Notes were cancelled and converted to the Notes 2020 issued by the Company on 16 November 2017. The remaining S\$97 million Notes matured on 16 November 2018 and bear interest rate of 7.25% per annum payable semi-annually. The S\$97 million Notes have been redeemed in full on 16 November 2018.
- (c) S\$60,000,000 3-Year Fixed Rate Notes Due 2020 ("Notes 2020"), which was issued by the Company on 16 November 2017. The S\$60 million Notes will mature on 16 November 2020 and bear interest rate of 8.5% per annum payable semi-annually.
- (d) US\$80,000,000 1-Year Fixed Rate Notes Due 2019 ("Notes 2019"), which was issued by the Company on 27 March 2018. On 27 March 2019, US\$50 million Notes were cancelled and converted to the Notes 31 December 2019 ("Notes 31 December 2019") issued by the Company, bearing interest rate of 9.5% per annum payable quarterly. The remaining US\$ 30 million Notes matured on 27 March 2019 and bearing interest rate of 9% per annum payable semi-annually have been redeemed in full on 27 March 2019.

The Notes 2017, Notes 2018 and Notes 2020 are listed on the Singapore Exchange Securities Trading Limited and are unsecured. The purpose of the issues was to refinance existing borrowings, finance investments of the Company and for general working capital purposes.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

31. Notes (cont'd)

In 2016, the Company entered into the following cross currency swaps with a total notional contract amount of US\$334,988,000 concurrent with the issuance of the S\$430,000,000 Notes:

- (a) Cross currency swap of a similar duration to convert the 3-Year SGD fixed rate liability of S\$300,000,000 to USD fixed rate liability of US\$242,131,000. During the year, this cross-currency swap has been matured and settled on the mature date.
- (b) Cross currency swap of a similar duration to convert the 3-Year SGD fixed rate liability of S\$130,000,000 to USD fixed rate liability of US\$92,857,000. During the year, the Company has cancelled this cross-currency swap.

Under the cross-currency swaps, the Company agreed with the swap counterparties to exchange S\$ for US\$ at the start date of the swap and vice versa at the maturity date. In addition, the Company will exchange US\$ interest amounts for S\$ interest amounts with the swap counterparties, at specified intervals during the tenor of the cross-currency swaps, calculated by reference to the respective contracted notional principal amount. The cumulative fair value changes of the risk hedged was included in the carrying value of the Notes.

32. Lease creditors

		Group			Company		
		2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	Maturities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Finance lease commitments							
Total							
commitments		1,360,723	737,836	329,989	1,341,951	710,996	286,067
Repayable							
within 1 year		(102,650)	(58,107)	(43,652)	(92,904)	(44,305)	(16,195)
Repayable after	2020-						
1 year	2033	1,258,073	679,729	286,337	1,249,047	666,691	269,872
Hire purchase creditors							
Total							
commitments		535	576	567	365	311	224
Repayable							
within 1 year		(248)	(201)	(173)	(125)	(117)	(79)
Repayable after	2020-						
1 year	2025	287	375	394	240	194	145
Total lease creditors:							
Current		102,898	58,308	43,825	93,029	44,422	16,274
Non-current		1,258,360	680,104	286,731	1,249,287	666,885	270,017
		1,361,258	738,412	330,556	1,342,316	711,307	286,291

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

32. Lease creditors (cont'd)

Future minimum lease payments under finance leases and hire purchase agreements together with the present value of the net minimum lease payments are as follows:

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Finance leases -						
Minimum lease						
payments						
Not later than one year	171,126	91,347	51,992	160,714	75,368	21,231
Later than one year but not later than five years	659,660	375,680	109,610	650,053	361,397	90,815
Later than five years	1,022,714	517,168	273,812	1,022,714	517,168	273,812
Total minimum lease payments	1,853,500	984,195	435,414	1,833,481	953,933	385,858
Less: Amounts representing finance charges	(492,777)	(246,359)	(105,425)	(491,530)	(242,937)	(99,791)
Present value of minimum lease payments	1,360,723	737,836	329,989	1,341,951	710,996	286,067
Finance leases -						
Present value of						
payments						
Not later than one year	102,650	58,107	43,652	92,904	44,305	16,195
Later than one year but not later than five years	440,220	260,181	64,974	431,195	247,142	48,509
Later than five years	817,853	419,548	221,363	817,852	419,549	221,363
Present value of minimum lease payments	1,360,723	737,836	329,989	1,341,951	710,996	286,067

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

32. Lease creditors (cont'd)

	Group			Company		
	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000
Hire purchase creditors - Minimum lease payments						
Not later than one year	268	223	194	140	129	86
Later than one year but not later than five years	292	395	414	244	208	150
Later than five years	20	—	—	20	—	—
Total minimum lease payments	580	618	608	404	337	236
Less: Amounts representing finance charges	(45)	(42)	(41)	(39)	(26)	(12)
Present value of minimum lease payments	535	576	567	365	311	224
Hire purchase creditors - Present value of payments						
Not later than one year	248	201	173	125	117	79
Later than one year but not later than five years	268	375	394	221	194	145
Later than five years	19	—	—	19	—	—
Present value of minimum lease payments	535	576	567	365	311	224

Finance leases are secured by a charge over the leased assets (Note 12).

The discount rates implicit in the leases ranged from 1.3% p.a. to 7.0% p.a. (31 December 2017: 1.3% p.a. to 10.4% p.a.; 1 January 2017: 1.3% p.a. to 10.4% p.a.).

These leases have different terms and terminate at various dates. Specific clauses like renewal rights, purchase options and restrictions can be found in some of these lease agreements.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

33. Bills payable

The aged analysis, based on issuance date of each bills, of bills payable at the end of the reporting period is as follows:

	Group		
	2018 US\$'000	31.12.2017 US\$'000	1.1.2017 US\$'000
0 to 30 days	21,466	44,444	29,241
31 to 60 days	9,194	50,742	16,603
61 to 90 days	3,808	44,756	12,540
91 to 120 days	5,977	27,518	6,474
Over 120 days	39,791	44,373	15,842
	80,236	211,833	80,700

34. Share capital

	Group and Company 2018 and 2017	
	No of shares '000	US\$'000
Issued and fully paid:		
At 1 January/31 December	554,400	376,127

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

35. Share-based payments

Share options under the share option scheme (the "Scheme") of Singamas, a subsidiary of the Company, are granted to Directors and employees of Singamas pursuant to the ordinary resolution passed by shareholders at the 2007 annual general meeting. The details of the Scheme are disclosed in pages 4 to 6 of the Directors' Statement. The options are granted with vesting periods 1 to 3 years. If the options are not exercised within the option period (must not exceed 10 years from the date of grant), the options expire.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

35. Share-based payments (cont'd)

Details of the outstanding share options are as follows:

	Number of share options	
	2018	2017
Outstanding at beginning of year	3,790,149	17,602,529
Forfeited during the year	(99,040)	(224,780)
Lapsed during the year	(841,775)	(13,587,600)
Outstanding at end of year	2,849,334	3,790,149

The range of fair value of the options determined at the date of grant using the Binomial option pricing model are as follows:

Date of share options granted	Fair value of share options
1 July 2010	HK\$0.61 to HK\$0.81

Share options were granted on 6 August 2008 at the initial exercise price of HK\$1.93 and adjusted to HK\$1.48.

No share option expense was recognised in 2018 and 2017.

The following assumptions were used to calculate the fair value of share options:

	Share options granted on 1 July 2010
Closing share price at the date of grant	HK\$1.54
Exercise price	HK\$1.38
Option life	10 years
Expected volatility	65%
Semi-annual dividend yield	1.7%
Risk-free interest rate	2.29%

36. Capital reserve

Capital reserve consists of statutory reserve provided for the purpose of increasing the capital of the subsidiaries upon approval from the relevant authorities. This reserve is not distributable until the end of the operation periods of the respective entities.

The amount transferred from revenue reserve relates to the requirement by subsidiaries in accordance with the laws of the country of incorporation.

37. Revaluation reserve

Revaluation reserve records the cumulative fair value changes of investment properties until they are derecognised.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2018

38. Fair value reserve

Fair value reserve records the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are derecognised or impaired.

39. Hedging reserve

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments until they are derecognised.

40. Foreign currency translation reserve

The foreign currency translation reserve is used to record 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.

41. Share options reserve

Employee share options reserve represents the share-based payments granted to employees (Note 35). 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.

42. Other reserve

Other reserve is used to record equity transactions on changes to the Group's interest in subsidiaries that do not result in the loss of control.

43. Operating lease commitments

As lessee

The Group and the Company have entered into operating leases on certain motor vessels, equipment, containers and leasehold land and buildings. The leases of the Group and the Company have remaining tenure ranging from 1 to 7 years respectively.

Operating lease payments recognised in the income statement during the financial year amounted to US\$215,650,000 (2017: US\$188,196,000).

Future minimum lease payments payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Not later than one year	85,731	68,451	162,742	185,775
Later than one year but not later than five years	210,538	136,276	377,150	388,968
Later than five years	25,573	29,313	33,490	56,178
	321,842	234,040	573,382	630,921

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

43. Operating lease commitments (cont'd)

As lessee (cont'd)

These leases have different terms and terminate at various dates. Specific clauses like renewal rights, purchase options and restrictions can be found in some of these lease agreements.

As lessor

The Group has entered into operating lease on motor vessels and office space. These leases have remaining lease term ranging from 1 to 11 years. Future minimum lease payments receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2018	2017
	US\$'000	US\$'000
Not later than one year	49,861	48,592
Later than one year but not later than five years	94,959	136,081
Later than five years	15,279	5,010
	160,099	189,683

44. Future capital expenditure

Capital expenditure contracted for as at the balance sheet date but not provided for in the financial statements is as follows:

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Commitments in respect of:						
- Acquisition of fixed assets	165,934	726,670	990,763	146,850	676,820	949,000
- Investments in an associate and a joint venture	18,625	20,874	—	—	—	—

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

45. Contingent liabilities

The Group and the Company have provided the following guarantees as at the end of the reporting period are as follows:

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Secured:						
Corporate guarantees given to banks on behalf of subsidiaries	–	–	–	4,998	5,422	39,497
Corporate guarantees given to banks on behalf of related companies	161,176	164,501	152,747	160,901	164,501	152,747
Performance guarantees given in respect of third parties	88	63	39	88	55	31
Standby letter of credit guarantee given in respect of third parties	343	345	345	343	343	343
Performance guarantees given in respect of related companies	285	254	276	285	254	276
Corporate guarantee given to third party on behalf of subsidiary	–	–	–	–	–	2,913
	161,892	165,163	153,407	166,615	170,575	195,807

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

46. Significant related party transactions

(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 the Company, and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Subsidiaries:				
Charter hire fees income	—	—	(140,048)	(101,091)
Freight charges income	—	—	(47,908)	(50,912)
Management fee income	—	—	(847)	(810)
Interest income	—	—	(295)	(222)
Charter hire fees expenses	—	—	105,033	120,879
Freight charges expenses	—	—	97,465	86,217
Commission fees expenses	—	—	58,120	59,569
Container rental expenses	—	—	4,875	4,710
Storage, trucking, other expenses	—	—	2,204	1,308
Purchase of bunker	—	—	202,440	206,954
Purchase of vessels from subsidiaries	—	—	186,588	78,598
Interest expenses	—	—	1,404	189
Associates and joint ventures:				
Freight income	(3,369)	(2,130)	—	—
Interest income	(1,093)	(935)	(370)	(207)
Management fee income	(27)	(26)	—	—
Sale of containers	(2,298)	(3,982)	—	—
Charter hire fees expenses	3,176	3,176	3,176	3,176
Terminal fees expenses	75,741	78,676	75,741	78,676
Commission expenses	7,684	9,383	7,228	8,744
Others	2,388	1,096	—	—
Related parties:				
Rental expenses	2,176	2,195	1,917	1,973
Others	6,244	5,380	6,039	5,182

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

46. Significant related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2018	2017
	US\$'000	US\$'000
Short-term employee benefits	4,449	5,451
Provident fund contribution	112	108
Retirement benefits	222	—
Total compensation paid to key management personnel	4,783	5,559
Comprise amounts paid to:		
Directors of the Company	4,783	5,559

47. Financial risk management objectives and policies

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 credit and counterparty risk, liquidity risk, interest rate risk, foreign currency risk and bunker price risk. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance. The Group and the Company use financial instruments such as interest rate swaps, bunker swaps and foreign currency forward contracts to hedge certain financial risk exposures.

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

The Board is responsible for setting the objective and underlying principles of financial risk management for the Group and the Company.

(a) Credit and counterparty risks

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial assets should a counterparty default on its obligations. For trade debtors, the Group adopts the policy of dealing with recognised and creditworthy counterparties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. For customers with not so strong credit standing, the Group will require the customers to provide collateral such as bankers' guarantees. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

The Group's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

47. Financial risk management objectives and policies (cont'd)

(a) Credit and counterparty risks (cont'd)

(i) Credit risk (cont'd)

Trade debtors

The Group provides for lifetime expected credit losses for all trade debtors 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 revenue type. The loss allowance provision as at 31 December 2018 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.

The Group's credit risk exposure in relation to trade debtors under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

Group	Current	Within 90 days	91 to 120 days	121 days to 365 days	More than 365 days	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Shipping						
Trade debtors	121,252	109,013	13,145	9,983	15,978	269,371
Loss allowance	—	—	339	554	8,816	9,709
Manufacturing						
Trade debtors	125,682	56,730	4,742	4,125	788	192,067
Loss allowance	46	30	89	45	788	998

The Group's credit risk exposure in relation to trade debtors under SFRS(I) 9 as at 1 January 2018 are set out in the provision matrix as follows:

Group	Current	Within 90 days	91 to 120 days	121 days to 365 days	More than 365 days	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Shipping						
Trade debtors	118,426	69,661	3,876	6,919	14,329	213,211
Loss allowance	—	—	175	225	9,175	9,575
Manufacturing						
Trade debtors	257,884	41,286	271	13,428	649	313,518
Loss allowance	—	—	—	—	649	649

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

47. Financial risk management objectives and policies (cont'd)

(a) Credit and counterparty risks (cont'd)

(i) Credit risk (cont'd)

Credit risk concentration profile

The maximum exposure to credit risk is the carrying amount of financial assets which are mainly trade debtors, cash and cash equivalents, certain derivative financial instruments.

The credit risk concentration profile of the Group's trade debtors is as follows:

	2018	Group	
	US\$'000	31.12.2017	1.1.2017
		US\$'000	US\$'000
<u>By geographical areas</u>			
Africa	24,625	23,980	22,332
Asia	316,680	323,604	204,113
Australasia	28,395	28,282	18,770
Europe	28,073	26,097	37,865
The Americas	52,958	115,510	85,797
	450,731	517,473	368,877

Information regarding financial assets that are neither past due nor impaired and either past due or impaired is disclosed in Note 21 (Trade debtors).

(ii) Counterparty risk

The Group manages counterparty risk associated with its currency, interest rate and bunker price risk management programs by selecting counterparties with good credit rating. Such counterparty exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material losses arising in the event of non-performance by counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting its financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk primarily arises from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective are to maintain a balance between continuity of funding and flexibility through the use of revolving facilities, bank loans and finance leases. The Group and the Company maintain a level of cash and cash equivalents and have both committed and uncommitted credit facilities deemed adequate to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

47. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted repayments obligations:

Group	1 year or less US\$'000	Within 2 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
2018				
Non-derivative financial liabilities				
Trade creditors	522,606	—	—	522,606
Other creditors and accruals	211,579	—	—	211,579
Amounts due to related companies	264,399	23,530	—	287,929
Loans (secured)	309,087	675,888	155,045	1,140,020
Loans (unsecured)	544,633	222,501	—	767,134
Bills payable	80,236	—	—	80,236
Notes	85,513	47,086	—	132,599
Lease creditors	171,394	659,952	1,022,734	1,854,080
Other creditors	—	16,937	—	16,937
Derivative financial liabilities				
Interest rate swaps	193	—	—	193
Bunker swaps	1,161	—	—	1,161
	2,190,801	1,645,894	1,177,779	5,014,474
2017				
Non-derivative financial liabilities				
Trade creditors	594,527	—	—	594,527
Other creditors and accruals	122,661	—	—	122,661
Amounts due to related companies	73,916	187,203	—	261,119
Loans (secured)	432,143	677,175	330,612	1,439,930
Loans (unsecured)	439,694	322,350	—	762,044
Bills payable	211,833	—	—	211,833
Notes	80,866	52,018	—	132,884
Lease creditors	91,570	376,075	517,168	984,813
Other creditors	—	3,933	—	3,933
Derivative financial liability				
Cross currency swaps	—	—	—	—
	2,047,210	1,618,754	847,780	4,513,744

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

47. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Group	1 year or less US\$'000	Within 2 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
1 January 2017				
Non-derivative financial liabilities				
Trade creditors	544,114	—	—	544,114
Other creditors and accruals	80,641	—	—	80,641
Amounts due to related companies	38,948	157,902	—	196,850
Loans (secured)	433,704	857,426	390,015	1,681,145
Loans (unsecured)	676,894	96,028	—	772,922
Bills payable	80,700	—	—	80,700
Notes	256,193	98,148	—	354,341
Lease creditors	52,186	110,024	273,812	436,022
Other creditors	—	—	937	937
Derivative financial liability				
Cross currency swaps	38,124	1,822	—	39,946
	2,201,504	1,321,350	664,764	4,187,618

The table below summaries the maturity profile of the Company's financial liabilities at the balance sheet date based on contractual undiscounted repayments obligations:

Company	1 year or less US\$'000	Within 2 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
2018				
Non-derivative financial liabilities				
Trade creditors	295,419	—	—	295,419
Other creditors and accruals	78,207	—	—	78,207
Amounts due to related companies	744,540	23,530	—	768,070
Loans (secured)	214,013	412,466	111,821	738,300
Loans (unsecured)	247,765	—	—	247,765
Notes	85,513	47,086	—	132,599
Lease creditors	160,855	650,297	1,022,734	1,833,886
Derivative financial liabilities				
Interest rate swaps	193	—	—	193
Bunker swaps	1,161	—	—	1,161
	1,827,666	1,133,379	1,134,555	4,095,600

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

47. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	1 year or less US\$'000	Within 2 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
2017				
Non-derivative financial liabilities				
Trade creditors	217,494	—	—	217,494
Other creditors and accruals	56,113	—	—	56,113
Amounts due to related companies	528,799	187,203	—	716,002
Loans (secured)	314,225	286,121	258,952	859,298
Loans (unsecured)	226,920	—	—	226,920
Notes	80,866	52,018	—	132,884
Lease creditors	75,497	361,605	517,168	954,270
Derivative financial liability				
Cross currency swaps	—	—	—	—
	1,499,914	886,947	776,120	3,162,981
1 January 2017				
Non-derivative financial liabilities				
Trade creditors	281,650	—	—	281,650
Other creditors and accruals	30,595	—	—	30,595
Amounts due to related companies	427,121	157,902	—	585,023
Loans (secured)	224,071	411,941	339,588	975,600
Loans (unsecured)	235,890	—	—	235,890
Notes	256,193	98,148	—	354,341
Lease creditors	21,317	90,965	273,812	386,094
Derivative financial liability				
Cross currency swaps	38,124	1,822	—	39,946
	1,514,961	760,778	613,400	2,889,139

47. Financial risk management objectives and policies (cont'd)

(c) **Market risk factors**

(i) **Interest rate risk**

Interest rate risk is that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's interest rate exposure relates mainly to its floating-rate debt obligations. The Group's and the Company's policy is to manage its exposure to interest rate risks using a mix of fixed and variable rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group and the Company agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Cash flow sensitivity analysis for variable rate instruments

Based on the outstanding financial instruments, as at balance sheet date, an increase/decrease of 50 (2017: 50) basis point in interest rate would have decreased/increased the Group's profit or loss by approximately US\$11,019,000 (2017: US\$11,192,000) respectively. Similarly, the Company's profit or loss would have decreased/increased by approximately US\$6,893,000 (2017: US\$6,555,000) respectively.

(ii) **Foreign currency risk**

The Group's and the Company's revenue streams are denominated primarily in its functional currency, USD. The Group and the Company have transactional currency exposures arising from the sales and purchases that are denominated in currencies other than the functional currency. The Group and the Company seek to manage the effect of the currency exposure by entering forward currency swaps and foreign currency forward contracts.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

47. Financial risk management objectives and policies (cont'd)

(c) Market risk factors (cont'd)

(ii) Foreign currency risk (cont'd)

As at balance sheet date, the Group's and the Company's main exposure to foreign currency risk (in USD equivalent) are as follows:

	Group SGD US\$'000	Company SGD US\$'000
2018		
Trade debtors	19,129	7,684
Other debtors	257	161
Amount due from related companies	7,503	7,514
Cash and short-term deposits	1,502	581
Trade creditors	(54,742)	(33,500)
Other creditors and accruals	(3,824)	(3,231)
Amounts due to related companies	(239,990)	(239,820)
Lease creditors	(1,145)	(1,069)
Notes	(43,457)	(43,457)
2017		
Trade debtors	19,449	13,275
Other debtors	1,160	1,046
Amount due from related companies	7,703	7,709
Cash and short-term deposits	937	63
Trade creditors	(65,973)	(36,223)
Other creditors and accruals	(5,310)	(4,554)
Amounts due to related companies	(100,393)	(100,218)
Lease creditors	(2,421)	(2,312)
Notes	(116,174)	(116,174)
1 January 2017		
Trade debtors	10,919	4,297
Other debtors	411	171
Amount due from related companies	7,232	7,232
Cash and short-term deposits	3,174	2,044
Trade creditors	(38,048)	(24,031)
Other creditors and accruals	(3,543)	(2,737)
Amounts due to related companies	(61,232)	(61,210)
Lease creditors	(5,378)	(5,249)

A 5% strengthening of foreign currencies against USD at the reporting date with all other variable held constant would have decreased the profit of the Group and the Company by US\$15,738,000 and US\$15,257,000 respectively (2017: US\$13,051,000 and US\$11,869,000 respectively).

A 5% weakening of foreign currencies against USD will have approximately equal but opposite effect to the amounts shown in the previous paragraph, on the basis that all other variables remain constant.

47. Financial risk management objectives and policies (cont'd)

(c) Market risk factors (cont'd)

(iii) Bunker price risk

The Group and the Company are exposed to fluctuations in the prices of bunker fuel, which is a commodity consumed in its shipping operations. To manage bunker price risk, the Group and the Company enter into bunker swaps and recovers a portion of the increase in bunker price from its customers via the charging of additional fuel surcharges.

Bunker price risk sensitivity analysis

Based on bunker price volatility of 10% (2017: 10%) at balance sheet date, the Group's profit or loss would have increased/(decreased) by approximately US\$1,927,000 (2017: US\$1,124,000) respectively, as a result of changes in fair value of bunker swap contracts. Similarly, the Company's profit or loss would have increased/(decreased) by approximately US\$1,927,000 (2017: US\$1,124,000). This analysis assumes that all other variables, in particular interest rates and tax rates remain constant.

48. Financial instruments

(a) Fair values

Fair value hierarchy

The Group classifies its financial instruments at fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial instruments (cont'd)

(a) *Fair values (cont'd)*

The following table shows an analysis of each class of assets and liabilities measured at fair value as at balance sheet date by level of fair value hierarchy:

Group	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
2018				
Recurring fair value measurements				
Financial assets				
FVPL (Note 17(a))				
- Quoted shares	745	—	—	745
- Unquoted shares	—	—	43,110	43,110
FVOCI (Note 17(a))				
- Quoted shares	338	—	—	338
- 7.25% p.a. perpetual bonds, quoted	4,250	—	—	4,250
- Unquoted shares	—	—	31,941	31,941
Derivative financial instruments (Note 48(c))				
- Interest rate swaps	—	1,061	—	1,061
- Forward currency contracts	—	42	—	42
Financial assets as at 31 December 2018	5,333	1,103	75,051	81,487
Non-financial asset				
Investment property	—	—	18,068	18,068
Financial liabilities				
Derivative financial instruments (Note 48(c))				
- Interest rate swaps	—	(193)	—	(193)
- Bunker swaps	—	(1,161)	—	(1,161)
Financial liabilities as at 31 December 2018	—	(1,354)	—	(1,354)

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial instruments (cont'd)

(a) Fair values (cont'd)

Group	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
2017				
Recurring fair value measurements				
Financial assets				
FVPL (Note 17(b))	511	—	—	511
Available-for-sale (Note 17(b))				
- Quoted shares	465	—	—	465
- 7.25% p.a. perpetual bonds, quoted	5,254	—	—	5,254
Derivative financial instruments (Note 48(c))				
- Interest rate swaps	—	1,014	—	1,014
- Bunker swaps	—	2,844	—	2,844
Financial assets as at 31 December 2017	6,230	3,858	—	10,088
1 January 2017				
Recurring fair value measurements				
Financial assets				
Fair value through profit or loss (Note 17(b))	369	—	—	369
Available-for-sale (Note 17(b))				
- Quoted shares	486	—	—	486
- 7.25% p.a. perpetual bonds, quoted	2,454	—	—	2,454
Derivative financial instruments (Note 48 (c))				
- Interest rate swaps	—	357	—	357
- Bunker swaps	—	5,941	—	5,941
Financial assets as at 1 January 2017	3,309	6,298	—	9,607
Financial liabilities				
Derivative financial instruments (Note 48 (c))				
- Cross currency swaps	—	39,946	—	39,946
Financial liability as at 1 January 2017	—	39,946	—	39,946

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial instruments (cont'd)

(a) Fair values (cont'd)

Company	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
2018				
Recurring fair value measurements				
Financial assets				
FVPL (Note 17(a))				
- Unquoted shares	—	—	43,110	43,110
FVOCI (Note 17(a))				
- Quoted shares and securities	338	—	—	338
- Unquoted shares	—	—	9,535	9,535
Derivative financial instruments (Note 48(c))				
- Forward currency contracts	—	42	—	42
Financial assets as at 31 December 2018	338	42	52,645	53,025
Financial liabilities				
Derivative financial instruments (Note 48(c))				
- Interest rate swaps	—	(193)	—	(193)
- Bunker swaps	—	(1,161)	—	(1,161)
Financial liabilities as at 31 December 2018	—	(1,354)	—	(1,354)
2017				
Recurring fair value measurements				
Financial assets				
Available-for-sale (Note 17(b))				
- Quoted shares and securities	387	—	—	387
Derivative financial instruments (Note 48(c))				
- Bunker swaps	—	2,844	—	2,844
Financial assets as at 31 December 2017	387	2,844	—	3,231
1 January 2017				
Recurring fair value measurements				
Financial assets				
Available-for-sale (Note 17(b))				
- Quoted shares and securities	413	—	—	413
Financial assets as at 1 January 2017	413	—	—	413

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

48. Financial instruments (cont'd)

(a) Fair values (cont'd)

Company	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
1 January 2017				
Financial liabilities				
Derivative financial instruments (Note 48 (c))				
- Bunker swaps	-	5,941	-	5,941
- Cross currency swaps	-	39,946	-	39,946
Financial liabilities as at 1 January 2017	-	45,887	-	45,887

Level 2 fair value measurements

The fair value of foreign currency forward contracts, interest rate swaps, bunker swaps, forward currency contracts and cross currency swaps were based on quotes from reputable financial institutions.

Level 3 fair value measurements

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

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3).

Financial Assets	Fair value at 31 December 2018 \$'000	Fair value at 31 December 2017 \$'000	Fair value hierarchy	Valuation techniques
Recurring fair value measurements				
Unquoted equity investment at FVPL (Note 17)	43,110	-	Level 3	Market approach
Unquoted equity investment at FVOCI (Note 17)	31,941	-	Level 3	Market approach

Unquoted equity investment at fair value through other comprehensive income includes investment property. The fair values of the Group's investment property as at 31 December 2018 and date of transfer from fixed assets has been arrived at on the basis of a valuation carried out on the respective dates by independent qualified professional valuer not connected to the Group.

In estimating the fair value of the property, the highest and best use of the property is their current use. The fair value of investment property is determined by using income capitalisation approach. The income capitalisation approach is calculated by capitalising the rental income derived from the existing tenancies with due provision for any reversionary income potential.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial instruments (cont'd)

(a) Fair values (cont'd)

Level 3 fair value measurements (cont'd)

Below is a table which presents the significant unobservable inputs as at the date of transfer and 31 December 2018.

Valuation technique	Significant unobservable inputs	Sensitivity
Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 7%-8% (2017: NA).	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
	Monthly market rent, taking into account the differences in locations, and individual factors, such as frontage and size, between the comparable and the property, at an average of RMB33 (2017: Nil) per sqm per month.	A significant increase in the market rent used in the market rent value, and vice versa.

(ii) Financial instruments carried at other than fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Group and the Company's financial instruments with fixed interest rates that are carried in the financial statements at other than fair values as at 31 December:

	Group					
	Carrying amount			Fair value		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities:						
Hire purchase creditors	535	576	567	516	563	457
Loans	52,491	57,482	221,460	43,455	46,602	225,182
Finance lease commitments	1,257,899	608,920	48,948	1,204,379	501,764	43,918
Notes	123,197	116,174	296,274	122,163	116,160	242,516
	Company					
	Carrying amount			Fair value		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities:						
Hire purchase creditors	365	311	224	345	299	218
Notes	123,197	116,174	296,274	122,163	116,160	242,516
Finance lease commitments	1,207,123	582,155	150,710	1,185,597	474,890	150,710

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial instruments (cont'd)

(b) Classification of financial instruments

Set out below is a comparison by category of carrying amounts of all the Group's and the Company's financial instruments that are carried in the financial statements:

Group 2018	Assets at amortised cost US\$'000	Liabilities at amortised cost US\$'000	Fair value through profit or loss US\$'000	FVOCI US\$'000	Derivatives used for hedging US\$'000	Total US\$'000
Assets						
Investments	—	—	43,855	36,529	—	80,384
Derivative financial instruments	—	—	1,103	—	—	1,103
Trade debtors	450,731	—	—	—	—	450,731
Other debtors	117,386	—	—	—	—	117,386
Amounts due from holding company	147,294	—	—	—	—	147,294
Amounts due from related companies	34,190	—	—	—	—	34,190
Short-term fixed deposits, secured	51,925	—	—	—	—	51,925
Cash and short-term deposits	227,200	—	—	—	—	227,200
	1,028,726	—	44,958	36,529	—	1,110,213
Liabilities						
Derivative financial instruments	—	—	1,354	—	—	1,354
Trade creditors	—	522,606	—	—	—	522,606
Loans	—	1,955,847	—	—	—	1,955,847
Bills payable	—	80,236	—	—	—	80,236
Notes	—	123,197	—	—	—	123,197
Other creditors and accruals	—	213,278	—	—	—	213,278
Amounts due to related companies	—	281,501	—	—	—	281,501
Lease creditors	—	1,361,258	—	—	—	1,361,258
Other creditors	—	16,937	—	—	—	16,937
	—	4,554,860	1,354	—	—	4,556,214

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial Instruments (cont'd)

(b) *Classification of financial instruments (cont'd)*

Group 2017	Loans and receivables US\$'000	Liabilities at amortised cost US\$'000	Fair value through profit or loss US\$'000	Available- for-sale US\$'000	Derivatives used for hedging US\$'000	Total US\$'000
Assets						
Investments	—	—	511	76,475	—	76,986
Derivative financial instruments	—	—	2,844	—	1,014	3,858
Trade debtors	517,473	—	—	—	—	517,473
Other debtors	85,144	—	—	—	—	85,144
Amounts due from holding company	147,294	—	—	—	—	147,294
Amounts due from related companies	31,188	—	—	—	—	31,188
Short-term fixed deposits, secured	1,151	—	—	—	—	1,151
Cash and short-term deposits	304,215	—	—	—	—	304,215
	1,086,465	—	3,355	76,475	1,014	1,167,309
Liabilities						
Derivative financial instruments	—	—	—	—	—	—
Trade creditors	—	594,527	—	—	—	594,527
Loans	—	2,045,413	—	—	—	2,045,413
Bills payable	—	211,833	—	—	—	211,833
Notes	—	116,174	—	—	—	116,174
Other creditors and accruals	—	120,130	—	—	—	120,130
Amounts due to related companies	—	250,036	—	—	—	250,036
Lease creditors	—	738,412	—	—	—	738,412
Other creditors	—	3,933	—	—	—	3,933
	—	4,080,458	—	—	—	4,080,458

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial Instruments (cont'd)

(b) *Classification of financial instruments (cont'd)*

Group 1 January 2017	Loans and receivables US\$'000	Liabilities at amortised cost US\$'000	Fair value through profit or loss US\$'000	Available- for-sale US\$'000	Derivatives used for hedging US\$'000	Total US\$'000
Assets						
Investments	—	—	369	71,317	—	71,686
Derivative financial instruments	—	—	5,941	—	357	6,298
Trade debtors	368,877	—	—	—	—	368,877
Other debtors	73,162	—	—	—	—	73,162
Amounts due from holding company	147,294	—	—	—	—	147,294
Amounts due from related companies	22,612	—	—	—	—	22,612
Short-term fixed deposits, secured	1,085	—	—	—	—	1,085
Cash and short-term deposits	331,892	—	—	—	—	331,892
	944,922	—	6,310	71,317	357	1,022,906
Liabilities						
Derivative financial instruments	—	—	—	—	39,946	39,946
Trade creditors	—	544,114	—	—	—	544,114
Loans	—	2,294,591	—	—	—	2,294,591
Bills payable	—	80,700	—	—	—	80,700
Notes	—	296,274	—	—	—	296,274
Other creditors and accruals	—	80,641	—	—	—	80,641
Amounts due to related companies	—	186,081	—	—	—	186,081
Lease creditors	—	330,556	—	—	—	330,556
Other creditors	—	937	—	—	—	937
	—	3,813,894	—	—	39,946	3,853,840

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial Instruments (cont'd)

(b) Classification of financial instruments (cont'd)

Company 2018	Financial assets at amortised cost US\$'000	Liabilities at amortised cost US\$'000	Fair value through profit or loss US\$'000	FVOCI US\$'000	Derivatives used for hedging US\$'000	Total US\$'000
Assets						
Investments	–	–	43,110	9,873	–	52,983
Trade debtors	116,713	–	–	–	–	116,713
Other debtors	5,331	–	–	–	–	5,331
Amounts due from holding company	147,294	–	–	–	–	147,294
Amounts due from related companies	534,794	–	–	–	–	534,794
Short-term fixed deposits, secured	50,817	–	–	–	–	50,817
Cash and short- term deposits	11,528	–	–	–	–	11,528
Derivative financial instruments	–	–	42	–	–	42
	866,477	–	43,152	9,873	–	919,502
Liabilities						
Derivative financial instruments	–	–	1,354	–	–	1,354
Trade creditors	–	295,419	–	–	–	295,419
Loans	–	1,075,568	–	–	–	1,075,568
Other creditors and accruals	–	93,036	–	–	–	93,036
Amounts due to related companies	–	760,510	–	–	–	760,510
Notes	–	123,197	–	–	–	123,197
Lease creditors	–	1,342,316	–	–	–	1,342,316
	–	3,690,046	1,354	–	–	3,691,400

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial Instruments (cont'd)

(b) *Classification of financial instruments (cont'd)*

Company 2017	Loans and receivables US\$'000	Liabilities at amortised cost US\$'000	Fair value through profit or loss US\$'000	Available- for-sale US\$'000	Derivatives used for hedging US\$'000	Total US\$'000
Assets						
Investments	—	—	—	60,761	—	60,761
Trade debtors	89,086	—	—	—	—	89,086
Other debtors	6,422	—	—	—	—	6,422
Amounts due from holding company	147,294	—	—	—	—	147,294
Amounts due from related companies	161,729	—	—	—	—	161,729
Cash and short- term deposits	9,683	—	—	—	—	9,683
Derivative financial instruments	—	—	2,844	—	—	2,844
	414,214	—	2,844	60,761	—	477,819
Liabilities						
Derivative financial instruments	—	—	—	—	—	—
Trade creditors	—	217,494	—	—	—	217,494
Loans	—	1,007,004	—	—	—	1,007,004
Other creditors and accruals	—	54,082	—	—	—	54,082
Amounts due to related companies	—	704,830	—	—	—	704,830
Notes	—	116,174	—	—	—	116,174
Lease creditors	—	711,307	—	—	—	711,307
	—	2,810,891	—	—	—	2,810,891

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial Instruments (cont'd)

(b) Classification of financial instruments (cont'd)

Company 1 January 2017	Loans and receivables US\$'000	Liabilities at amortised cost US\$'000	Fair value through profit or loss US\$'000	Available- for-sale US\$'000	Derivatives used for hedging US\$'000	Total US\$'000
Assets						
Investments	—	—	—	60,787	—	60,787
Trade debtors	39,850	—	—	—	—	39,850
Other debtors	10,388	—	—	—	—	10,388
Amounts due from holding company	147,294	—	—	—	—	147,294
Amounts due from related companies	148,224	—	—	—	—	148,224
Cash and short- term deposits	18,586	—	—	—	—	18,586
Derivative financial instruments	—	—	5,941	—	—	5,941
	364,342	—	5,941	60,787	—	431,070
Liabilities						
Derivative financial instruments	—	—	—	—	39,946	39,946
Trade creditors	—	281,650	—	—	—	281,650
Loans	—	1,109,363	—	—	—	1,109,363
Other creditors and accruals	—	30,471	—	—	—	30,471
Amounts due to related companies	—	574,067	—	—	—	574,067
Notes	—	296,274	—	—	—	296,274
Lease creditors	—	286,291	—	—	—	286,291
	—	2,578,116	—	—	39,946	2,618,062

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial Instruments (cont'd)

(c) *Derivative financial instruments*

Derivative financial instruments included in the balance sheets at the end of the reporting period are as follows:

	2018		Group 2017		1 January 2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Current						
Interest rate swaps	—	193	—	—	7	—
Bunker swaps	—	1,161	2,844	—	5,941	—
Forward currency contracts	42	—	—	—	—	—
Cross currency swaps	—	—	—	—	—	38,124
	42	1,354	2,844	—	5,948	38,124
Non-current						
Interest rate swaps	1,061	—	1,014	—	350	—
Cross currency swaps	—	—	—	—	—	1,822
	1,061	—	1,014	—	350	1,822
	1,103	1,354	3,858	—	6,298	39,946

	2018		Company 2017		1 January 2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Current						
Interest rate swaps	—	193	—	—	—	—
Bunker swaps	—	1,161	2,844	—	5,941	—
Forward currency contracts	42	—	—	—	—	—
Cross currency swaps	—	—	—	—	—	38,124
	42	1,354	2,844	—	5,941	38,124
Non-current						
Cross currency swaps	—	—	—	—	—	1,822
	—	—	—	—	—	1,822
	42	1,354	2,844	—	5,941	39,946

Notes to the Financial Statements
For the financial year ended 31 December 2018

48. Financial Instruments (cont'd)

(c) *Derivative financial instruments (cont'd)*

(i) **Bunker swaps**

The bunker swaps outstanding of the Group for year ended 31 December 2018 have notional quantities of 60,000 MT (2017: 30,000 MT) at various agreed bunker prices. The maturity dates of these bunker swaps are in 2019. Hedge accounting has not been adopted for the bunker swaps.

(ii) **Interest rate swaps**

The Group entered into interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a portion of the floating interest rate on those bank borrowings into a fixed rate.

Hedging accounting has not been adopted for the following contracts:

Remaining notional amount	Maturity	Interest rate
US\$26,322,165	2023	Notional amount multiplied by a variable factor at an agreed percentage on a quarterly basis.
US\$40,000,000	2020	Notional amount multiplied by a variable factor at an agreed percentage on a monthly basis.
US\$70,000,000	2020	Notional amount multiplied by a variable factor at an agreed percentage on a monthly basis.

(iii) **Forward currency contracts**

In 2018, the Group and the Company entered into par forward currency contracts to hedge the Group's and the Company's exposure to certain foreign currency currencies denominated loans.

As at the end of the reporting date, the Group and the Company has outstanding forward currency contracts with notional amount totalling JPY 368,258,000 (2017: Nil).

Hedge accounting has not been adopted for the forward currency contracts.

Pacific International Lines (Private) Limited and its subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

49. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' 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 or processes during the years ended 31 December 2018 and 31 December 2017.

50. Segment information

For management purposes, the Group is organised into business units based on the two reportable operating segments as follows:

(a) Shipping

Shipping provides operations of container and project/break bulk transportation, terminals and provision of other related services. It offers shipping services from Far East to Europe, Black Sea, Canada, the Indian sub-continent, Red Sea/Gulf, Africa, Australia, New Zealand, Latin America, West Coast of USA, Micronesia and Pacific Islands.

(b) Manufacturing

Manufacturing of marine dry freight containers, refrigerated containers, collapsible flat rack containers, tank containers, US domestic containers, offshore containers, other specialised containers and container parts.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Segment assets comprise primarily fixed assets, stocks and trade debtors. Segment liabilities comprise primarily loans and trade creditors.

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2018

50. Segment information (cont'd)

Segment reporting by operating segments

2018

Turnover

External sales
Inter-segment sales

Total turnover

Segment result

Depreciation and amortisation

Share of results of associates and joint ventures

Non-controlling interests

Profit before finance cost and taxation

Finance costs

Taxation

(Loss)/profit attributable to equity holders of the Company

Segment assets

Associates and joint ventures

Consolidated total assets

Segment liabilities

Other segment items:

Capital expenditures

- Fixed assets

Shipping US\$'000	Manufacturing US\$'000	Adjustment and elimination US\$'000	Total US\$'000
2,789,929	1,700,644	—	4,490,573
1,410,808	107,175	(1,517,983)	—
4,200,737	1,807,819	(1,517,983)	4,490,573
114,629 (200,903)	142,739 (34,542)	—	257,368 (235,445)
14,420 (2,341)	(2,475) (43,672)	—	11,945 (46,013)
(74,195) (189,060)	62,050 (18,549)	—	(12,145) (207,609)
(20,791)	(13,791)	—	(34,582)
(284,046)	29,710	—	(254,336)
5,072,437	1,333,803	(166,084)	6,240,156
77,461	66,180	—	143,641
5,149,898	1,399,983	(166,084)	6,383,797
4,157,088	704,204	(166,084)	4,695,208
723,924	42,185	—	766,109

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

50. Segment information (cont'd)

Segment reporting by operating segments (cont'd)

2017

Turnover

External sales

Inter-segment sales

Total turnover

Segment result

Depreciation and amortisation

Share of results of associates and joint ventures

Non-controlling interests

Profit before finance cost and taxation

Finance costs

Taxation

Profit attributable to equity holders of the Company

Segment assets

Associates and joint ventures

Consolidated total assets

Segment liabilities

Other segment items:

Capital expenditures

- Fixed assets

	Shipping US\$'000	Manufacturing US\$'000	Adjustment and elimination US\$'000	Total US\$'000
2,611,979		1,425,390	–	4,037,369
1,454,422		51,280	(1,505,702)	–
4,066,401		1,476,670	(1,505,702)	4,037,369
395,906		106,601	–	502,507
(208,709)		(32,428)	–	(241,137)
11,998		(1,347)	–	10,651
(7,738)		(26,395)	–	(34,133)
191,457		46,431	–	237,888
(109,399)		(14,434)	–	(123,833)
(13,735)		(14,952)	–	(28,687)
68,323		17,045	–	85,368
4,748,801		1,569,358	(299,069)	6,019,090
68,210		65,097	–	133,307
4,817,011		1,634,455	(299,069)	6,152,397
3,531,663		1,013,862	(299,069)	4,246,456
369,612		70,844	–	440,456

Pacific International Lines (Private) Limited and its subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2018

50. Segment information (cont'd)

Segment reporting by operating segments

1 January 2017

Segment assets
Associates

Consolidated total assets

Segment liabilities

Other segment items:

Capital expenditures

- Fixed assets

	Shipping US\$'000	Manufacturing US\$'000	Adjustment and elimination US\$'000	Total US\$'000
	4,683,140	1,162,863	(227,787)	5,618,216
	55,131	62,764	-	117,895
	4,738,271	1,225,627	(227,787)	5,736,111
	3,550,836	647,807	(227,787)	3,970,856
	165,712	20,501	-	186,213

51. Events occurring after the reporting period

PDL

On 12 March 2019, the Company entered into a memorandum of understanding with a potential purchaser in relation to the disposal of the equity interests in PDL International Pte. Ltd. As at the date of this financial statements, the sales and purchase agreement is still under negotiation.

Singamas

On 19 March 2019, Singamas Container Holdings Limited ("SCHL") entered into a framework agreement with a potential purchaser in relation to the potential disposal (the Potential Disposal), Qidong Singamas Energy Equipment Co. Ltd., Qidong Pacific Port Co. Ltd., Qingdao Pacific Container Co., Ltd., Ningbo Pacific Container Co., Ltd. And Singamas Container Holdings (Shanghai) Limited. As at the date of this financial statements, the sales and purchase agreement is still under negotiation.

52. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 2 May 2019.