

Pacific International Lines (Private) Limited

Consolidated Income Statements

For the year ended 31 December 2016 and 31 December 2017

	GROUP	
	2016	2017
	(audited)	(audited)
	US\$'000	US\$'000
Turnover	3,069,901	4,037,369
Other operating income	29,034	21,727
Changes in inventories of finished goods and work in progress	(43,339)	119,551
Raw material and consumables used	(657,330)	(1,141,145)
Investment and interest income	4,333	4,195
Staff costs	(231,245)	(269,964)
Depreciation	(246,078)	(239,549)
Amortisation of intangible assets	(209)	(1,588)
(Allowance)/write-back of impairment losses, net	(11,030)	305
(Loss)/gain on disposal of shares in subsidiaries	(46)	495
Gain on disposal of shares in associates and joint ventures	195	—
Gain on disposal of shares in other investments	—	69
Fair value changes in other investments	(24)	141
Net fair value changes in derivative financial instruments	(29,504)	4,732
Foreign exchange differences	4,655	(19,956)
Shipping expenses	(1,846,262)	(2,018,702)
Administration and non-shipping expenses	(183,141)	(241,170)
Finance costs	(106,966)	(123,833)
Share of results of associates and joint ventures	9,386	10,651
(Loss)/profit before taxation	(237,670)	143,328
Taxation	(13,700)	(23,827)
(Loss)/profit for the year	(251,370)	119,501
Attributable to:		
Equity holders of the Company	(224,900)	85,368
Non-controlling interests	(26,470)	34,133
(Loss)/profit for the year	(251,370)	119,501

Consolidated Balance Sheets

As at 31 December 2016 and 31 December 2017

	GROUP	
	2016 (audited) US\$'000	2017 (audited) US\$'000
Non-current assets		
Fixed assets	4,265,371	4,325,335
Intangible assets	13,247	35,576
Associates and joint ventures	117,895	133,307
Other investments	71,317	76,475
Deferred tax assets	356	830
Deferred transaction costs	39,447	55,240
Prepayments	10,394	7,323
Other debtors	4,736	–
Amounts due from related companies	582	729
Derivative financial instruments	350	1,014
	<u>4,523,695</u>	<u>4,635,829</u>
Current assets		
Other investments	369	511
Stocks	199,454	317,885
Trade debtors	368,877	472,150
Other debtors	122,030	175,459
Deferred transaction costs	384	4,491
Prepayments	13,053	11,381
Derivative financial instruments	5,948	2,844
Assets held for sale	–	3,405
Amounts due from holding company	147,294	147,294
Amounts due from related companies	22,030	30,459
Short-term fixed deposits, secured	1,085	1,151
Cash and short-term deposits	331,892	304,215
	<u>1,212,416</u>	<u>1,471,245</u>
Current liabilities		
Derivative financial instruments	38,124	–
Trade creditors	584,267	594,527
Loans	1,067,844	833,658
Lease creditors	43,825	58,308
Bills payable	80,700	211,833
Other creditors and accruals	143,010	223,821
Amounts due to related companies	34,354	67,371
Notes	206,603	71,765
Provision for taxation	6,408	6,915
	<u>2,205,135</u>	<u>2,068,198</u>
Non-current liabilities		
Derivative financial instruments	1,822	–
Loans	1,226,747	1,211,755
Amounts due to related companies	151,727	182,665
Notes	89,671	44,409
Lease creditors	286,731	680,104
Other creditors	937	4,433
Deferred tax liabilities	8,086	9,569
	<u>1,765,721</u>	<u>2,132,935</u>
Net assets	<u>1,765,255</u>	<u>1,905,941</u>
Equity attributable to equity holders of the Company		
Share capital	376,127	376,127
Capital reserve	39,396	40,017
Fair value reserve	293	3,063
Hedging reserve	(1,013)	16
Foreign currency translation reserve	(21,506)	(7,585)
Share options reserve	1,899	657
Other reserve	9,276	9,277
Revenue reserve	982,409	1,068,482
	<u>1,386,881</u>	<u>1,490,054</u>
Non-controlling interests	<u>378,374</u>	<u>415,887</u>
Total equity	<u>1,765,255</u>	<u>1,905,941</u>

Statement of Consolidated Cash Flow

For the year ended 31 December 2016 and 31 December 2017

	Group	
	2016 (audited) US\$'000	2017 (audited) US\$'000
Cash flows from operating activities		
(Loss)/profit before taxation	(237,670)	143,328
Adjustments for:		
Amortisation of intangible assets	209	1,588
Depreciation	246,078	239,549
Dividend income from investment securities	(502)	(1,241)
Fair value changes in other investments	24	(141)
Net fair value changes in derivative financial instruments	29,504	(4,732)
Fixed assets written off, net of amount recovered	609	1,215
Gain on disposal of fixed assets, net	(11,561)	(2,012)
Intangible assets written off	3	—
Loss/(gain) on disposal of shares in subsidiaries	46	(495)
Gain on disposal of shares in associates and joint ventures	(195)	—
Gain on disposal of shares in other investments	—	(69)
Interest income	(3,831)	(2,954)
Interest expense	100,486	114,609
Amortisation of deferred transaction costs	2,953	5,693
Amortisation of Notes issuance costs	1,967	1,287
Impairment of goodwill	2,657	—
Impairment loss/(Write-back) on associates and joint ventures	771	(876)
Impairment loss on long-term loans to associates of a subsidiary	71	35
Impairment loss on trade debtors and other debtors	7,531	536
Share of results of associates and joint ventures	(9,386)	(10,651)
Gain on bargain purchase	(67)	—
Currency realignment	1,614	5,783
Operating income before working capital changes	131,311	490,452
Increase in prepayments, trade and other debtors	(101,583)	(145,277)
Decrease/(increase) in stocks	25,077	(118,001)
Increase in trade and other creditors and accruals	90,027	106,886
Increase in bills payable	57,945	131,133
Cash flows generated from operations	202,777	465,193
Interest income received	3,806	2,929
Interest paid	(98,872)	(119,921)
Income taxes paid	(13,142)	(22,349)
Net cash flows generated from operating activities	94,569	325,852
Cash flows from investing activities		
Repayment of loan by a subsidiary's associates and joint ventures	15,475	13
Addition of loan by an associates and joint ventures	(1,292)	(4,993)
Additional investment in associates and joint ventures, net	(1,457)	(2,448)
Purchase of other investments	(68)	(2,347)
Proceeds from sales of other investments	—	129
Cash outflow arising from disposal of subsidiaries	(6)	(500)
Cash inflow arising from disposal of associates and joint ventures	189	546
Cash inflow/(outflow) arising from acquisition of subsidiaries	2,658	(8,779)
Dividends from associates and joint ventures	12,514	9,316
Dividends from other investments	502	1,241
Addition of other intangible assets	(578)	(6,319)
Withdrawal/(placement) of short-term fixed deposits, secured	958	(66)
Proceeds from sales of fixed assets	42,234	146,393
Proceeds from sales of fixed assets written off	90	36
Purchase of fixed assets	(66,574)	(170,532)
Net cash flows (used in)/generated from investing activities	4,645	(38,310)

Statement of Consolidated Cash Flow

For the year ended 31 December 2016 and 31 December 2017

	Group	
	2016	2017
	(audited)	(audited)
	US\$'000	US\$'000
Cash flows from financing activities		
Additional investment in subsidiaries	(3,880)	—
Dividends paid by subsidiaries to non-controlling interests	(8,281)	(6,981)
Capital contribution by subsidiaries to non-controlling interests	786	—
Proceeds from loans	522,612	888,457
Repayment of loans	(717,494)	(1,141,541)
Proceeds from issuance of Notes	—	19,845
Repayment of Notes	—	(247,765)
Payment of transaction costs related to issuance of Notes	—	(556)
Payment of transaction costs related to loans	(40,385)	(28,545)
Increase in net amounts due to associates and joint ventures	1,723	23,003
Increase in net amounts due to related companies	62,076	32,167
Increase in net amounts due to directors	6,251	1,805
Increase in (repayment)/ amount due to of lease creditors, net	(15,100)	141,427
Net cash flows used in financing activities	(191,692)	(318,684)
Net decrease in cash and cash equivalents	(92,478)	(31,142)
Effect of exchange rate changes on cash and cash equivalents	(12,633)	3,465
Cash and cash equivalents at beginning of year	437,003	331,892
Cash and cash equivalents at end of year	331,892	304,215

***FY2016 versus FY2017
Income Statement***

Turnover

In FY 2017, the Group recorded turnover of US\$4,037.4 million, an increase of 31.5 per cent. from FY 2016 as shipping volumes and average freight rates for the Group's container shipping business increased by approximately 11.6 per cent. and 9.4 per cent. from FY 2016, respectively. This resulted in a 21.3 per cent. increase in freight and charter hire income from the Group's shipping business. In addition, there was an increase of 58.7 per cent. in turnover generated by Singamas (represented by the invoiced sales of containers), as a result of strong demand for new containers owing to strong growth in global trade.

The table below shows the Group's turnover by business segment, as a percentage of total turnover, for FY 2016 and FY 2017:

	FY 2016		FY 2017	
	US\$'000	%	US\$'000	%
Freight and charter hire	2,075,136	68%	2,517,000	62%
Invoiced sales of containers	891,379	29%	1,415,014	35%
Others	103,386	3%	105,355	3%
Total turnover	3,069,901	100%	4,037,369	100%

Other operating income

Other operating income recorded was US\$21.7 million in FY 2017 and was 25.2 per cent. lower than the US\$29.0 million recorded in FY 2016 due to a decrease in one-off gains on disposal of fixed assets amounting to US\$9.5 million, offset by the income from sales of damaged containers amounting to US\$2.05 million in FY 2017.

Shipping expenses

Shipping expenses increased by 9.3 per cent. to US\$2,018.7 million in FY 2017 from US\$1,846.3 million in FY 2016 primarily due to an increase in the number of operating vessels and bunker prices. It is important to note that the per cent. increase in shipping expenses from FY 2016 to FY 2017 was less than the increase in shipping turnover over the same period. Bunker costs and terminal charges represented 21.9 per cent. (US\$442 million) and 28.1 per cent. (US\$567.9 million) of the total shipping expenses in FY 2017, respectively.

Finance costs

Finance costs increased by 15.8 per cent. to US\$123.8 million in FY 2017 from US\$107.0 million in FY 2016. The increase was primarily due to an increase in finance lease payables committed for the financing of new vessels which will be delivered by the end of March 2019.

Profit/Loss after income tax

The Group reported a net profit of US\$119.5 million in FY 2017, a strong turnaround compared to a net loss of US\$251.4 million recorded in FY 2016. The improvement in the Group's operating performance was mainly due to an increase in liner revenue and container sales from higher rate and stronger container demand, coupled with initiatives which improved operational efficiency.

FY2016 versus FY2017
Balance Sheet

Total assets of the Group amounted to US\$6,107 million as at 31 December 2017, an increase of 6.5 per cent. over the preceding year-end balance of US\$5,736 million. The increase was mainly due to addition of newbuild vessels and Liner Management System (“LMS System”) during the year, as well as an increase in Singamas’ trade debtors and manufacturing stock. This was partially offset by a decrease in cash and short-term deposits which were utilized for operating activities, as well as increased depreciation of fixed assets.

The LMS System is a comprehensive suite of integrated modules covering vessels operations, sales quotations, customers cargo booking, documentation, slots management, containers inventory management as well as accounting interfaces to our accounting systems. It also supports EDI interfaces with business partners including shippers, consignees, terminals and depots. This system allows the Group to improve its productivity through real-time information flow via centralised on-line data updating and interfacing among users within and across business functions and between internal users and external business partners. This will lead to better tracking of its equipment, more efficient management of its vessel slot capacity and minimized data entry.

Total liabilities of the Group amounted to US\$4,201 million as at 31 December 2017, an increase of 5.8 per cent. over the preceding year-end balance of US\$3,971 million.

As at 31 December 2017, the Group had approximately US\$2,912 million of total debt outstanding. The table below sets out certain information in respect of the Group’s total debt as at 31 December 2017:

	Secured Loans	Unsecured Loans	Notes	Finance Lease Commitments	Hire Purchase Creditors
	(US\$’000)	(US\$’000)	(US\$’000)	(US\$’000)	(US\$’000)
Amount repayable in December 2018, or on demand	401,169	437,309	72,366	58,107	201
Amount repayable in:					
December 2019	220,817	92,044	44,762	51,624	228
December 2020	141,459	210,640	—	56,326	74
December 2021	137,695	—	—	49,933	43
December 2022	96,315	—	—	102,298	30
Later than December 2022	318,552	—	—	419,548	—
Total	1,316,007	739,993	117,128	737,836	576

By Order of the Board
Pacific International Lines (Private) Limited

Teo Siong Seng
Executive Chairman
16 April 2018