

Pacific International Lines (Private) Limited

Consolidated Income Statements

For the half year ended 30 June

	GROUP	
	1H 2016 (unaudited) US\$'000	1H 2017 (unaudited) US\$'000
Turnover	1,469,175	1,877,595
Other operating income	8,627	7,286
Changes in inventories of finished goods and work in progress	(36,159)	(1,452)
Raw material and consumables used	(282,065)	(429,302)
Investment and interest income	2,318	1,383
Staff costs	(106,737)	(117,781)
Depreciation	(122,661)	(120,456)
Amortisation of intangible assets	(99)	(265)
Write-back of impairment losses, net	724	105
Loss on disposal of shares in subsidiaries	—	(13)
Fair value changes in other investments	(77)	136
Net fair value changes in derivative financial instruments	(35,974)	281
Foreign exchange differences	(3,341)	(9,378)
Shipping expenses	(870,544)	(985,681)
Administration and non-shipping expenses	(98,052)	(131,878)
Finance costs	(53,139)	(59,877)
Share of results of associates and joint ventures	2,151	4,876
(Loss)/profit before taxation	(125,853)	35,579
Taxation	(5,148)	(9,223)
(Loss)/profit for the period	(131,001)	26,356
Attributable to:		
Equity holders of the Company	(113,456)	10,603
Non-controlling interests	(17,545)	15,753
	(131,001)	26,356

Consolidated Balance Sheets

As at 31 December 2016 and 30 June 2017

	GROUP	
	31 December 2016 (audited) US\$'000	30 June 2017 (unaudited) US\$'000
Non-current assets		
Fixed assets	4,265,371	4,119,226
Intangible assets	13,247	32,705
Associates and joint ventures	117,895	121,758
Other investments	71,317	71,665
Deferred tax assets	356	459
Deferred transaction costs	39,447	45,177
Prepayments	10,394	9,029
Other debtors	4,736	2,520
Amounts due from related companies	582	1,163
Derivative financial instruments	350	3,965
	<u>4,523,695</u>	<u>4,407,667</u>
Current assets		
Other investments	369	1,323
Stocks	199,454	236,454
Trade debtors	368,877	433,420
Other debtors	122,030	124,156
Deferred transaction costs	384	2,283
Prepayments	13,053	13,973
Derivative financial instruments	5,948	825
Assets held for sale	—	3,462
Amounts due from holding company	147,294	147,294
Amounts due from related companies	22,030	26,790
Short-term fixed deposits, secured	1,085	1,158
Cash and short-term deposits	331,892	299,078
	<u>1,212,416</u>	<u>1,290,216</u>
Current liabilities		
Derivative financial instruments	38,124	26,139
Trade creditors	584,267	587,416
Amounts due to bankers	1,148,544	830,581
Lease creditors	43,825	45,809
Other creditors and accruals	143,010	159,079
Amounts due to related companies	34,566	36,842
Notes	206,603	216,613
Provision for taxation	6,408	4,123
	<u>2,205,347</u>	<u>1,906,602</u>
Non-current liabilities		
Derivative financial instruments	1,822	—
Amounts due to bankers	1,226,747	1,327,132
Amounts due to related companies	151,515	153,331
Notes	89,671	93,920
Lease creditors	286,731	402,640
Other creditors	937	881
Deferred tax liabilities	8,086	9,026
	<u>1,765,509</u>	<u>1,986,930</u>
Net assets	<u>1,765,255</u>	<u>1,804,351</u>
Equity attributable to equity holders of the Company		
Share capital	376,127	376,127
Capital reserve	39,396	39,477
Fair value reserve	293	548
Hedging reserve	(1,013)	3,036
Foreign currency translation reserve	(21,506)	(13,134)
Share options reserve	1,899	665
Other reserve	9,276	9,277
Revenue reserve	982,409	994,149
	<u>1,386,881</u>	<u>1,410,145</u>
Non-controlling interests	<u>378,374</u>	<u>394,206</u>
Total equity	<u>1,765,255</u>	<u>1,804,351</u>

Statement of Consolidated Cash Flows
For the half year ended 30 June

	GROUP	
	1H 2016	1H 2017
	(unaudited)	(unaudited)
	US\$'000	US\$'000
Cash flows from operating activities		
(Loss)/profit before taxation	(125,853)	35,579
Adjustments for:		
Amortisation of intangible assets	99	265
Depreciation	122,661	120,456
Dividend income from investment securities	(20)	(104)
Fair value changes in other investments	77	(136)
Net fair value changes in derivative financial instruments	35,974	(281)
Fixed assets written off, net of amount recovered	163	495
(Gain)/loss on disposal of fixed assets	(2,309)	23,379
Loss on disposal of shares in subsidiaries	–	13
Interest income	(2,298)	(1,279)
Interest expense	50,093	54,576
Amortisation of deferred transaction costs	1,379	2,555
Amortisation of Notes issuance costs	976	963
Write back of impairment losses, net	(724)	(105)
Share of results of associates	(2,151)	(4,876)
Currency realignment	17,624	18,972
Operating income before working capital changes	95,691	250,472
Increase in prepayments, trade and other debtors	(77,834)	(63,934)
Decrease/(increase) in stocks	29,005	(37,000)
(Decrease)/increase in trade and other creditors and accruals	(33,544)	10,002
Cash flows generated from operations	13,318	159,540
Interest income received	2,272	1,264
Interest paid	(48,977)	(53,486)
Income taxes paid	(7,480)	(10,594)
Net cash flows (used in)/generated from operating activities	(40,867)	96,724
Cash flows from investing activities		
Repayment/(addition) of loan by a subsidiary's associates and joint ventures	6,282	(360)
(Addition)/repayment of loan by an associates and joint ventures	(982)	107
Additional investment in associates and joint ventures, net	(840)	(278)
Purchase of other investments	–	(817)
Cash outflow arising from disposal of subsidiaries	–	(13)
Cash inflow arising from disposal of associates and joint ventures	148	–
Cash inflow arising from acquisition of subsidiaries	2,323	–
Dividends from associates and joint ventures	5,374	4,534
Dividends from other investments	–	104
Addition to deferred expenditure and other intangible assets	(300)	(2,122)
Withdrawal/(placement) of short-term fixed deposits, secured	893	(73)
Proceeds from sales of fixed assets	5,868	84,739
Proceeds from sales of fixed assets written off	81	7
Purchase of fixed assets	(44,502)	(62,740)
Net cash flows (used in)/generated from investing activities	(25,655)	23,088
Cash flows from financing activities		
Dividends paid by subsidiaries to non-controlling interests	(3,916)	(2,002)
Proceeds from borrowings	401,889	718,945
Repayment of borrowings	(394,372)	(936,036)
Payment of transaction costs related to borrowings	(22,039)	(12,652)
Increase in net amounts due from associates and joint ventures	(2,566)	(3,029)
Increase in net amounts due to related companies	18,557	1,678
Proceeds from lease creditors, net	17,149	82,213
Net cash flows generated from/(used in) financing activities	14,702	(150,883)
Net decrease in cash and cash equivalents	(51,820)	(31,071)
Effect of exchange rate changes on cash and cash equivalents	(3,244)	(1,743)
Cash and cash equivalents at beginning of period	437,003	331,892
Cash and cash equivalents at end of period	381,939	299,078

1H FY2016 versus 1H FY2017

Income Statement

Turnover

In 1H 2017, the Group recorded turnover of US\$1,877.6 million, an increase of 27.8 per cent. from the previous period as shipping volume and average freight rates for the Group's container shipping business increased by approximately 10.9 per cent. and 9.5 per cent. year-on-year, respectively. This resulted in a 21.5 per cent. increase in the Group's shipping business' turnover. In addition, there was an increase of 45.3 per cent. in turnover mainly generated by Singamas (represented by the invoiced sales of containers), as a result of strong demand for new container owing to growth in global trade.

The table below shows the Group's turnover by the nature, as a percentage of total turnover, for 1H 2016 and 1H 2017:

	1H 2016		1H 2017	
	US\$'000	%	US\$'000	%
Freight and charter hire	1,013,734	69	1,231,732	66
Invoiced sales of containers	409,422	28	594,932	32
Others	46,019	3	50,931	2
Total turnover	1,469,175	100	1,877,595	100

Other operating income

Other income recorded US\$7.3 million in 1H 2017 and was 15.1 per cent. lower than US\$8.6 million in 1H 2016 primarily due to decrease in gains on disposal of fixed assets and government grant amounting to US\$2.3 million and US\$1.2 million respectively. This was partially offset by the increase in compensation income amounting to US\$1.8 million due to Xiamen Typhoon.

Shipping expenses

Shipping expenses increased by 13.2 per cent. to US\$985.7 million in 1H 2017 from US\$870.5 million in 1H 2016 primarily due to the increase in number of operating vessels and bunker prices. Bunker costs and terminal charges represented 21.6 per cent. (US\$212.6 million) and 27.9 per cent. (US\$274.8 million) respectively of the total shipping expenses in 1H 2017.

Finance costs

Finance costs increased by 12.8 per cent. from US\$53.1 million in 1H 2016 to US\$59.9 million in 1H 2017. The increase was primarily due to the further drawdowns for new vessels under construction.

(Loss)/profit for the period

The Group reported a net profit of US\$26.4 million from continuing operations in 1H 2017 compared to a net loss of US\$131.0 million in 1H 2016. The improvement in Group's operating performance was mainly due to increase in liner revenue and container sales from higher rate and stronger container demand.

FY2016 versus 1H FY2017

Balance Sheet

Total assets of the Group amounted to US\$5,698 million as at 30 June 2017, a decrease of 0.66 per cent. over the preceding year-end balance of US\$5,736 million. The decrease was mainly due to depreciation of fixed assets and cash and short-term deposits were utilised for operating activities. This was partially offset by an increase in trade debtors.

Total liabilities of the Group amounted to US\$3,894 million as at 30 June 2017, a decrease of 1.94 per cent. over the preceding year-end balance of US\$3,971 million.

As at 30 June 2017, the Group had approximately US\$2,951 million of total debt outstanding. The table below sets out certain information in respect of the Group's total debt as at 30 June 2017:

	Secured Loans	Unsecured Loans	Notes	Finance lease commitments	Hire purchase creditors
	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
Amount repayable within 1 year, or on demand	297,921	535,477	242,131 ⁽¹⁾	45,641	168
Amount repayable in:					
within 2nd year	224,130	77,044	92,857 ⁽¹⁾	32,706	221
within 3rd year	220,888	246,412	—	27,986	75
within 4th year	138,986	15,000	—	28,319	25
within 5th year	98,358	—	—	69,738	—
Later than 5th year	313,490	—	—	243,570	—
Total	1,293,773	873,933	334,988	447,960	489

Approximately 43.8 per cent. of the Group's total debt consists of term loans secured primarily by vessels.

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

Teo Siong Seng
Managing Director
11 September 2017

⁽¹⁾ US\$242mil and US\$93mil amounts payable upon maturity dates of the Fixed Rate Notes, after consideration of Cross Currency Swap.